

Darwinism Can nature be so cruel?



**Sports equipment** Salomon's



Microbes Household grease eaters Technology, Page 12



Trade policy Gadaffi unbound

#### German tax plan faces opposition from federal states

Business Newspaper

Germany unveiled a package of tax proposals aimed at reducing the tax burden for individuals, boosting incentives for small husinesses and easing their access to capital. The package by Theo Waigel, finance minister, is expected to face strong opposition from the Lander, or federal states, when he presents it to the upper house of parliament. Page 16

italian PM pledges to fight inflation



Italy'a new prime minis ter, Romano Prodi (left), pledged to fight inflation and cut the budget deficit to enable the country to take part in European Monetary Union in 1999. Presenting the centre-left government'a programme, the 56-year-old economics professor from Bologna warned that Ital-

ians would have to make sacrifices to reform the state and put the country's finances in order. Page 16; Editorial Comment, Page 15; Lex, Page 16

Court rules in Credit Suisse case: The UK High Court ruled that Sergio Cuoghi, the Italian financier accused of a \$70m fraud against Credit Suisse Fides Trust, could not request Swiss authorities to carry out more investigations. Page 2

Washington attacks EU computer tariffs: The US criticised European Union customs treatment of certain computer and telecoms products at the World Trade Organisation, but stopped short of making a formal WTO complaint, Page 6

OECD agrees action on bribery: The US scored a success in its campaign for tougher international action against corporate corruption when industrialised countries agreed to make corporate bribery of foreign government officials a criminal offence. Page 4

Lloyd's of London faced fresh US headaches as accusations of "dirty tricks" flew over letters falsely cancelling meetings where US Names were to be given details of the insurance market's recovery plan, Page 10

US minimum wage rise bogged down: The House of Representatives was on track to pass an increase in the US federal minimum wage, but probably with conditions that might cause problems in the Senate and with President Bill Clinton, Page 4

Japan cell to EU on chip tariffs: Japan is insisting that the European Union commit itself to abolishing semiconductor tariffs by the year 2000 before Tokyo would be prepared to accept an EU proposal for a semiconductor industry agreement that would also include US producers. Page 6

Communists cry foul in Russian poli: A leading communist accused Russian President Boris Yeltsin of planning to rig next month's presidential election and said the Kremlin was blocking the opposition's access to the media across the country. Page 3: Russia's capital markets, Page 17

Solicitor to stand for HK chief executive: Lo Tak-shing, a solicitor and a former member of the Hong Kong administration, declared his interest in the post of chief executive, sparking life into the contest for the top position in the territory after it

is handed back to China next year. Page 8 Hopes of osteoporosis advance: Hopes have risen that bone fractures resulting from osteoporosis could soon be brought under control after results of a trial were announced by Merck, the US

drugs company. Page 12 Framatome, the French nuclear power group, has emerged as a possible buyer of a strategic stake in Valeo, the French antomotive components com-

Tokyo recruits 2,000 spies: Japan is recruiting 2,000 spies from its military forces to bol-ster its ability to keep watch on potential flash-

pany. Page 17; Lex, Page 16

points in east Asia. Page 16 mercircia in plan to haive debt: Debts abounting to more than \$11bn at the Spanish private-sector electrical utility Iberdrola are set to be

halved in the next three years. Page 18 Liberty, the UK retail and textiles group, announced the closure of its lossmaking chain of 20

regional stores at a cost of £5m (\$7.6m). Page 24 Second Indian bomb kills 14: In India's second major blast in two days, a bomb killed 14 people on a hus travelling from Agra through the north-west state of Rajasthan. It was not clear whether the explosion was linked to Tuesday's car

bomb in New Delhi in which 13 died.

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sense of snow



### Beef ban protest could lead to virtual paralysis of Brussels business

THURSDAY MAY 23 1996

# UK action threatens EU projects

By Robert Peston in London and Bruce Clark and Caroline Southey in Brussels

The British government's campaign to undermine European Union husiness could lead to the shelving of projects it has been championing, including a crackdown on EU fraud.

The disclosure came as the UK sowed confusion among its EU partners in Brussels yesterday by warning them of a slowdown in Union business, although UK representatives continued to take

part in most activities.
British diplomats told their EU counterparts that "co-operation would be impaired" and they

would refuse to say anything EU finance ministers. The ing cows and eradicating "mad that would hind the hands of UK agenda is expected to include a cow" disease, or BSE, from the ministers. As a result, meetings of EU ministers could be virtu-ally paralysed by a huge backlog of business which is usually tackled by officials at a lower level.

The first signs of this policy

were felt yesterday when British officials held up three items at a

diplomats' meeting dealing with customs regulations and scientific research.

Senior members of the government also warned that its programme to disrupt EU decisionmaking would have no excep-

vote ou measures to allow on-thespot inspections for possible fraud against the EU budget, which the UK has been promoting for months. "We would not be in a position to agree [to the proposal?", said a senior official.

A further sign of the government's resolve was the decision

that Mr Malcolm Rifkind, the foreign secretary, will now take the lead in efforts to have the beef ban lifted, effectively sidelining Mr Douglas Hogg, agriculture tions. An early test of its resolve in this respect will probably be the meeting in 10 days' time of

There was a further blow to Mr Hogg's authority when responsi-bility for the programme for cull-

UK herd was transferred to a new ministerial committee, under Mr Roger Freeman, the public service minister. It will be supported by a committee of offi-

A separate ministerial committee, chaired by Mr Major, will co-ordinate the EU action programme. It too will be backed up hy a committee of officials, chaired by Sir Robin Butler, head of the UK civil service.

Ministers denied that the disruption campaign was mainly aimed at a domestic audience and was designed to boost the government's flagging opinion

poll rating. "Anyone who thinks this is a PR exercise is not living in the real world", said a Downing Street official.

Mr Major yesterday reassured Mr Jacques Santer, European tion president, that the Brussels hureaucracy was not the target of the government's

In a phone call from Downing Street yesterday, Mr Major said the aim was to put pressure on member states which have refused to accept the scientific facts and ease the beef ban.

EU plays down threat, Page 10 Bewilderment turns to despair, Page 15

### Toys R Us accused of unfair action on rivals

By Richard Tomkins in New York

Toys R Us, the world's biggest toy retailer, yesterday faced accusations by US competition authorities that it had used its market clont to force prices higher and stop toys reaching

rival stores. The Federal Trade Commission filed an administrative complaint against the company alleging that it extracted agree-ments from toy manufacturers to stop selling certain toys to warehouse clubs, a form of discount store, because they were selling

the items too cheaply. However, two out of the five commissioners dissented from the decision to press charges, and Toys R Us vigorously denied

Mr Michael Goldstein, chief executive of Toys R Us, said he was "astounded" at the FTC's complaint, which will be referred to an administrative court in the hope of obtaining an

order against the company.

Toys R Us, which last year had worldwide revenues of \$9.4bm, is the dominant toy retailer in the US, with 20 per cent of the mar-

But in recent years it has faced a growing challenge to its reputation for low prices, from discount store chains and warehouse clubs.

But as early as 1989, the FTC said, Toys R Us started using its market power to extract agreements and understandings from manufacturers, under which: Manufacturers would not allow the warehouse clubs to buy the same toys that Toys R

Da carried. If such toys were supplied to warehouse clubs, they would bave to be packaged as higherpriced "specials" - typically, combinations of two or more items - that could not easily be price-compared with the Toys R Us item.

 Manufacturers agreed to tell Toys R Us which items they planned to supply to the warehouse clubs so that Toys R Us could decide whether the sales posed a competitive threat. "As a result," said Mr William

Continued on Page 16

#### **Daimler** chief wins showdown with angry investors By Michael Lindemann in Stuttmart Mr Jürgen Schrempp, chief executive of Daimler-Benz, Europe's largest industrial conglomerate, yesterday survived his first showdown with sharehold-ers after disclosing the group had completed talks on the sale of its Dornier subsidiary to Fairchild, the US aircraft maker. Contracts were "ready for sig-nature" and Daimier-Benz hoped to complete the deal after a meet-ing of Dornier shareholders on June 5, Mr Schrempp said. The Dornier family, which last week publicly attacked Daimler for wanting to sell the lossmaking regional aircraft manufacturing subsidiary, could still veto the sale because it retains a stake in Dornier. But Daimler was "very confident" the deal would go ahead.

### Russia is 'welcome shareholders in Stuttgart he was able to head off anger by announcing that talks on the sale of its Domier subsidiary to US aircraft maker Fairchild had to join' Paris Club

By Graham Bowley in Paris

Russia would be welcome as a huge debts, a senior club official indicated yesterday.

of bankruptcy", another said the group would have been "a case for receivership" if it had not been for the profitable car and truck division. Another shareholder told the

meeting he had a document showing Daimler expected a net loss last year of DM302m, contrary to profit forecasts that Mr Edzard Reuter, Mr Schrempp's predecessor, had announced at last year's AGM.

Mr Schrempp had been expec-ted to face fierce criticism from

the 10,000 shareholders gathered

in a indoor stadium after the

group auffered net losses last

year of DM5.7bn (\$3.75bn) and omitted its dividend for the first

time in the company's history. However, the prospect of a deal

on Dornier helped disarm angry shareholders — as did a strong increase in group sales in the first four months of this year and

a 20 per cent rise in the Daimler

share price since last May, when

Mr Schrempp took over as chief

Nevertheless, more than 40

attacked the management board

over last year's losses. One critic-

ised the board for its "statement

executive.

Mr Manfred Gentz, finance director, admitted he had seen such a document but said it did not represent a reliable basis for a profit forecast. By focusing on the better prospects for 1996 and beyond, Mr

Schrempp took the sting out of shareholder anger. In his address he attempted to set a new management tone for the group by assuming much of the blame for last year's poor results, most of which relate to

his own purchase of Fokker, the Dutch aircraft maker. His willingness to admit mistakes drew support from some shareholders who contrasted his stance with that Mr Reuter, who stepped down last May. Significantly, throughout his

Continued on Page 16 Daimler warns of further

member of the elite Paris Club of creditor nations even though it has just rescheduled its own

Mr Christian Noyer, president of the Paris Club and chief of staff at the French ministry of economy and finance, said Russia was entitled to join the other 18 Paris Cluh members because it, too, had not been repaid hy

debtor nations. Money owed to Russia, which may total \$100bn, arise from its former role as a political and financial patron of Third World countries. Mr Noyer said be had met Mr Victor Chernomyrdin, the Russian prime minister, to discuss the issue and that technical work on the country's admission

had begun. In another surprise development this week, Russia said it that bad debts owed to Russia wanted to join the Organisation total around \$100bn. for Economic Co-operation and Development, the Paris-based economic advisory agency spon-sored by the leading industria-

lised countries. Membership of the Paris Club would be another important step towards Russia's acceptance into the western financial community. News of its possible entry into the elite could also give President Boris Yeltsin an extra political boost at home ahead of next month's fiercely contested presidential elections. Western governments and financial institu-

CONTENTS

Yeltsin in his bid to prevent the communists from returning to

Mr Noyer cautioned that it would finally be a political decision taken by governments whether Russia should become a full member of the Paris Club or whether it should have a looser association with the Paris Club

Last month, Russia reached agreement on rescheduling \$40bn in government loans, the largest deal done in the club's 40-year

history. One Russian specialist at a US bank in London said Paris Club membership would be a very positive thing for Russia.

The country would be able to claim favourable terms on its outstanding debt and "a whole class of assets on its halance sheet would suddenly be worth a

Financial analysts estimate

Technical problems revolve around whether this debt, most of which is denominated in rouhies, should be valued in current rouble terms or at the value of the rouble when the loans were first made, which would signifi-cantly reduce their worth.

Difficulties surrounding the legal terminology used in the loan contracts might also mean the debts could be repaid in raw materials or in US dollars. Many of the countries in debt to Russia also view the loans they received as subsidies when they were clitions have been firmly behind Mr ents of the former Soviet Union.

Deimier-Benz chief executive Jürgen Schrempp during his first meeting with shareholders yesterday, instead of a flerce reception from the 10,000 been completed and contracts were 'ready for aignature'.

This announcement appears as a matter of record only

£82,500,000

Acquisition of 90 MGM cinemas and expansion finance by



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EUROPEAN NEWS DIGEST

### Ciller calls on coalition to go

Mrs Tansu Ciller, leader of Turkey's conservative True Path party (DYP). yesterday demanded that the country's fragile coalition government quit. Mrs Ciller, whose party is a member of the coalition, said: "The government has become a platform for destroying the True Path party. The government is not working." The DYP and the Motherland party of Mr Mesut Yilmaz, the prime minister, formed a minority government in March, but feuding between the two rivals for leadership of the divided centre-right has paralysed the government. Two weeks ago Mr Yilmaz claimed Mrs Ciller had misappropriated \$6.5m shortly before resigning as prime minister in March.

The coalition is 15 seats short of a majority in the 550-member parliament where Refah, the Islamist opposition party, holds nearly a third of the seats. Analysts say Refah is gaining at the expense of the feuding parties and would take more than 30 per cent of the vote if an election were held today, giving it control of parliament.

Two DYP ministers quit the cahinet in support of Mrs Ciller: Mr Unal Erkan, housing minister, and Mr Ayvaz Gokdemir, minister for relations with central Asian republics. Share prices tumbled 4.5 per cent and the Turkish lira lost 1 per cent against the US dollar. Turkish treasury hill prices lost 3.5 per

#### Strike puts contracts at risk

BMW is reviewing its single-supplier agreements with Raufoss the Norwegian automotive component maker, following the 10-day strike by 37,000 mechanical engineering workers that

The strike, which crippled output at hundreds of companies in Norway, ended with agreement between employers and trade unions on a revised pay deal. The engineering employers' federation estimated the strike had cost the 450 companies affected up to NKr2bn (\$305m) in lost production and said the dispute had damaged goodwill among foreign customers of Norwegian exporters. Saah, the Swedisb carmaker, lost more than a day's production because it ran out of parts supplied by Raufoss.

Norwegian shipyards were brought to a standstill hy the strike, but Kvaerner, the biggest shipbuilder, said it hoped to be able to catch up time lost on hig contracts. The Fellesforbundet trade union federation called off the strike after the employers agreed a new annual pay deal which will lower the standard retirement age from 64 to 62, instead of 63 as previously proposed. However, no extra cash was included in the new agreement. Hugh Carnegy, Stockholm

#### Free market in auditing urged

A report funded by the European Commission into the future of auditing in the European Union is to recommend a free market approach which will delight leading accountancy firms. The report, by the Maastricht Accounting and Auditing Research Centre, is expected to be published next week. An EU green paper on auditing will follow this summer. The report concludes that intra-EU trade in audit services can best be stimulated by removing restrictions on the ownership, management and control of audit firms.

The authors believe many services will still be provided by local auditors, because of the special knowledge required in each country. The report will also urge member states to release auditors from national laws and regulations when offering services in another member state. Furthermore, the report believes audit quality can be improved by removing restrictions designed to protect the independence of auditors such as curbs on the scope of services offered, fee setting, advertising and length of tenure. The authors believe increased competition in a less restricted market will improve

#### Dog-fight over defence minister

the resignation of Mr Gyorgy Keleti, defence minister, after it emerged that Hungarian fighter aircraft had participated in military exercises in Poland earlier this month without parliament's permission. Under the constitution, the armed forces may not cross the country's borders without parliament's approval except for United Nations peacekeeping or exercises based on international treaties.

Although Mr Keleti ordered the aircraft to return early, opposition MPs say he knew the eight MiG-29s had left for the sharp-shooting training exercises. Mr Keleti, a leading member of the Socialist-led government and one of Hungary's most popular politicians, says General Sandor Nemeth, chief of the armed forces, gave the orders to the air force without consulting him. Gen Nemeth says the exercises were long planned and were included in a training plan submitted to the defence ministry in February. Virginia Marsh, Budapest

**ECONOMIC WATCH** 

**Dutch manufacturing** 

#### **Dutch production leaps up**

Output, annual % change

FT Surveys

March compared with Fehruary, and hy 5 per cent against a year earlier, the bureau of statistics said yesterday. The March figures were far higher than forecast Economists' consensus for March was a modest rise of 0.6 per cent year-on-year and 2.4 per cent month-on-month. First-quarter manufacturing with the metal sector production growing by 4.8 per cent, but chemicals dipping

**Dutch** manufacturing

production rose hy 6.9 per cent, seasonally adjusted, in

The Financial Times plans to publish a Survey on

on Friday, July 5

The survey will include articles on ● The Economy ● Banking & Finance

● Privatisation ● Agriculture & Wine ● Tourism. The Financial Times is the best

read publication among senior European executives taking strategic decisions about

For further information, please contact

Patricia Surridge in London on (0171) 873 3426 or fax: (0171) 873 3204 or

Bates, Centrade in Bucharest on (401) 312 6869 or fax: (401) 312 1497.

2.5 per cent. The bureau said the hard winter hit the wood and huilding materials industry hardest; output dropped by 13 per cent in the January March Reuter, Voorburg period.

■ Sweden had a current account surplus of SKr4.6bn (\$686m) in March, following SKr5.4bn in February and SKr3.8hn in March last year. Retail sales fell 1.6 per cent in March from a year earlier. For the three months to March, sales were down

the international operations of their company.

# Financier loses round in extradition case

Italian allegedly involved in \$70m investment fraud against Credit Suisse subsidiary

By John Mason, Law Courts Correspondent

An Italian financler accused of mounting a \$70m frand against an investment trust subsidiary of Credit Suisse Holdings, the largest financial group in Switzerland, vesterday suffered a sethack in bis long-running fight against extradition from London.

Mr Sergio Cuoghi, who lives in London's fashionable Knightsbridge area, is accused of involvement in a fraud in which investors with Credit Suisse Fides Trust (CSFT) were persuaded to invest \$70m in supposed transactions in orime hank instruments" such as stand-hy letters of credit. The transactions, they were told, would yield returns of up to 50 per cent a year.

In the High Court in London yesterday, Mr Cuoghi lost an attempt to have the Swiss authorities, in effect, carry out investigations on his hehalf. The final habeas corpus hearing to decide whether he will be sent to Switzerland to stand trial is now expected later this

The case has proved highly emharrassing for CSFT because a senior vice-president with the company has admitted working with Mr Cuoghi to carry out the alleged fraud, Mr the company's Geneva office.

signed contracts on bebalf of CSFT which enabled the alleged fraud to take place. Investors have claimed Mr Voellmin's involvement in the scheme was crucial to their agreeing to invest.

The case is little known outside Switzerland because, until recently, many UK court hearings over Mr Cuoghi's activities have been held in secret while CSFT has kept a low public profile over the affair. But the matter has attracted

the attention of banking secu-

rity experts who follow cases

of alleged prime bank instru-

ment fraud - a form of finan-

cial crime that bas musbroomed over the past decade. Prime hank instrument frauds typically involve investors being told a convincing story of how apparently genuine financial instruments can he sold on a secondary market and produce exceptionally high returns. However, the instruments turn out to be hogus, no transactions ever

The alleged fraud took place at the company's Geneva offices between June 1992 and October 1994, when it was uncovered. Mr Voellmin has admitted his role in events and is co-operating with Swiss prosecutors.

take place and the invested

capital is lost.

According to the evidence put to the UK Court of Appeal

settlement.

in December over an order freezing some of Mr Cuoghi's assets, investors deposited a total of \$70m with CSFT to be used in transactions in stand-by letters of credit, bank guarantee discount operations and Enrodollar bond invest-

The investors, usually professional investment managers handling clients' money, were promised returns or "commissions" of between 30 and 50 per

Investors dealt with Mr Voellmin at CSFT. investors' money was then passed to Mr Cuoghi to invest in the supposed transactions, the court was told. But no such transactions ever took place and although commissions were paid, they were funded by money coming in from other investors, it is claimed.

In March 1994, there was no money to pay commissions. To do so. Mr Voellmin has admitted stealing \$22m from two other client accounts at CSFT. The hulk of the money was used to pay commissions. The remainder, the UK courts have heard, was used by Mr Cuoghi in October 1994 to buy a majority stake in the small Frankfurt-based Deutsche-Schweizerische Bank (DSB),

The hank then ran out of capital and was closed down hy German banking authorities in

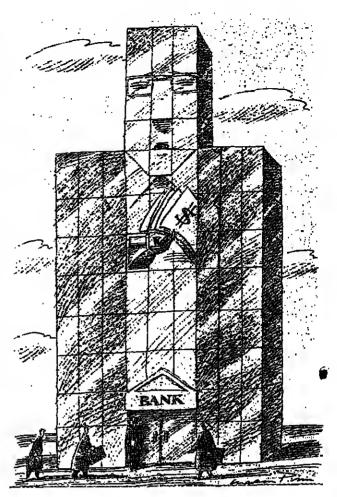
The alleged fraud was discovered when CSFT investigated a bill of exchange signed by Mr Voellmin. This purported to confirm that CSFT held \$100m in an account for Fendal Investments, a British Virgin Islands company whose directors included both Mr Cuoghi and Mr Voellmin.

The bill of exchange was used in the purchase of DSB. However, no such account with CSFT existed, the courts have heard. Mr Voellmin was arrested and the extradition proceedings against Mr Cuoghi begun.

At yesterday's hearing, lawyers for the Swiss government succeeded in overturning an earlier court order that letters of request should be issued asking the Swiss to determine whether hoth Mr Voellmin and another CSFT employee had given dishonest testimony and whether the transactions had been properly authorised by CFST, contrary to what the

company has claimed. Before his final extradition hearing. Mr Cuoghi should be allowed to obtain more evidence from the two men and have access to minutes of CSFT board meetings, his lawyers said.

The judge, Mr Justice Carnwath, ruled in favour of the Swiss government, saying Mr Cuoghi's claim was simply an



# Credit Suisse trust fights some damages claims

By John Mason

The involvement of a senior insider in the alleged fraud at Credit Suisse Fides Trust has led to controversial civil court cases in Switzerland and arguments whether some investors acted in "bad faith".

Two investors have mounted claims for damages approaching \$70m, insisting CSFT honour the contracts Mr Balz Voellmin entered into. CSFT is refusing to pay, maintaining the contracts are legally invalid because some investors should, in effect, have

known what they were dealing with. The investors include a Swiss investment manager who invested some \$49m on behalf of clients and a Mr Helmnt Disch, a German broker who invested \$1.48m of his parents' money. A German investment company is not involved in court action bnt is seeking an ont-of-court

The Insses suffered by investors vary but both the Swiss investor and Mr Disch are claiming damages for the loss of initial capital and the

Dr Dieter Hauser, president of the responsibility and pay compensa-CSFT executive hoard, said these tovestors acted in "bad faith" hecanse they were professional investment managers who should have known about the dangers of prime bank instrument frand and the improbability of guaranteed returns of up to 50 per cent.

Dr Hauser said some of those who lost money had been compensated because the bank held that they bad acted in good faith. "Something wrong happened in nur company.

The suggestion of had faith is firmly rejected by the investors. Dr Franz Satmer. Mr Disch's lawyer, said: "Mr Disch was a professional broker. He did not have specialised banking expertise. He relied npon the knowledge and expertise of the hanks and institutions he was brokering clients to and always chose first class institutions such as CSFT."

CSFT has also had to examine why Its controls proved so inadequate that internal andits, the back office and

supervision by Mr Voeilmin's superi-ors all falled to detect his activities for more than two years.

Dr Hauser admits: "Nobody expected this. The person worked with us for many years and was thought to be a person we could rely upon."

The discovery of the alleged fraud and Mr Voellmin's role nn it came as an unwelcome surprise, he agrees.

"It was very bad news. Discovering nne of your vice-presidents is a criminal is a rough wake-up in the morn-

Obstacles still hinder purchase of insurance and banking products, says Brussels

Commissioner Emma Bonino:



### By Neil Buckley in Strasbourg EU states and financial think financial services, like limited sales of certain types of conditions by brokers represervices groups are failing to other goods, should be products or services – for senting foreign institutions, presented special problems of

embrace the single market fully, the European Commisslon said yesterday as it launched a campaign to sweep away remaining harriers to cross-border selling of insurance and banking products. ket. There are major dispariin a green paper, Mr Mario ties between countries."

missioner, and Mrs Emma Bonino, consumer policy commissioner, said significant progress had been made in liberalising cross-border selling of financial services. More than 50 directives had been issued, hut member states had not implemented all of them, and financial services groups were not always selling products internationally when they

arranged so that the single market benefits consumers. Mrs Bonino said. "This is an industry that has not completely taken on board the implications of the single mar-

The paper targeted seven problem areas to be tackled: Some companies were still refusing to sell financial services to consumers not resident in the state in which they were based. The Commission said it had received complaints from consumers that they were heing refused insurance, or charged higher premiums, ou the grounds that they came from certain EU countries, and

example, interest-bearing current accounts were still illegal in one member state. · Even where financial insti-

lutions were offering services such as mortgages or consumer credit on a cross-border basis, they sometimes failed to provide adequate information or customer service. Problems encountered included documents not being translated into the language of the consumer, or figures presented in a misleading way.

 Unregulated financial intermediaries were taking "aggressive", and sometimes illegal, actions to sell banking and investment products, which were causing "considerable dis-

foreign institutions but the information turned out

 Many consumers were complaining about the difficulty of enforcing cross-border con-Lack of tax harmonisation

made it difficult, for example, to deduct contributions to life assurance or mortgage repayments in another member

 Motor insurance presented particular problems, with insurance of victims of an accident involving a vehicle from another member state but caused by a local vehicle not covered by the current green card system.

The paper also warned that the rapid growth of electronic

"We are sending a signal. • Member states could still sumers seeking credit were banking and financial services, The Commission is saying we impose domestic rules which offered apparently attractive by lelephone or PC, could proregulation and consumer pro-

> The Commission is inviting comments by October 15, before drawing up policy pro-posals in a white paper. But consumer groups said it was not acting quickly enough to create a financial services single market, compared with progress in other sectors. There were "many concrete initiatives which should have been taken by now", said the Bureau Européen des Unions de Consommateurs, the European consumers organisation.
> "[The paper] seems to he

7.

Marie .

rather passive in its approach. tending to wait for problems to arise rather than taking the

possible, hut not compulsory, a

the court on certain issues.

ters' meeting on June 4.

earlier.

recourse by national courts to

Germany will he pressing

bard for progress on the issue

at the next EU justice minis-

The atmosphere of this dis-

cussion is likely to he strongly

influenced by the outcome of

the farm ministers' meeting

which is due to be held a day

# K disruption pledge arrests talks on Europol .

By Bruce Clark in Brussels

Negotiations over how much say the European Court of Justice should have over the proposed European Union police agency, Europol, were proceeding amicably until this week's pledge hy Britain to dis-rupt EU husiness, diplomats

Officials involved in the negotiations say they still believe that disputes over the court's role, which has held up a convention bringing Europol into full-hlooded existence, can be finessed if London shows a minimum of flexibility.

The establishment of Europol is a top priority for German Chancellor Helmut Kohl, who exchanges on the precise delinsaid last week that failure by the EU to mount a co-ordinated fight against crime could lay the ground for a resurgence of the extreme right.

"Internal security" would be one the main issues facing the EU in the next century, he said during a visit to the European Politicians who do not

understand that need not stand for re-election." Britain has accused all lts partners of erecting unnecessary barriers to the establishment of Europol by insisting on giving the court some responsibility for the agency.

By Virginia Marsh in Budapest

Romania yesterday bowed to

pressure from unions and

replaced the general manager

it had brought in to shake up

the national airline, Tarom. a

The move follows angry

scenes when 200 technical

workers occupied the airline's

nffices on Monday, forcing the

management to leave as Mr

Gheorghe Racaru was finalis-

ing his contract to take over

the running of the heavily

The incident comes just

weeks after a representative of

the State Ownership Fund debts of about \$400m.

indehted state-owned carrier.

week after appointing him.

eation of the court's role have heen conducted in a friendly atmosphere and, at least before this week, there seemed to be a fair chance of reaching agreement by the Florence beads of government summit next

EU legal experts have laid out the case for giving the court a role by mapping out six examples of cases where the court would need to be consulted. UK officials have demurred from all these arguments, while stressing that they remain "open to persuasion on the usefulness of involving the court. In the latest move, a working

(SOF) - which holds stakes in

state companies - died after

being taken hostage overnight

hy angry workers at a packag-

ing factory in Turnu-Severin

In a terse statement, the

SOF, which holds 70 per cent

of Tarom, said it had re-

appointed the former board. It

was not clear whether Mr

Racaru would return to his

previous position as deputy

Mr Racaru had been general

manager before 1993 and had

returned to the joh promising

a radical shake-up of the air-

line, which is believed to have

in western Romania.

general manager.

merit in some of them. This group's conclusions are understood to he under consideration in London. Among the "examples" cited

British objections, and found

by the EU experts are: The ECJ might need to pronounce on whether data exchanged through the Europol network could be used as evidence in trials hy national courts. · The court might be needed

to ascertain liabilities in cases where peoples' interests were damaged by information transmitted along the Europol net

He said at the weekend he intended to dismiss 400 nf Tar-

om's 3,500 employees and to

keep just 16 nf its 64 aircraft

in service hy withdrawing

Soviet-made nnes, mainly used

nn internal flights. Tarom has

already agreed to hand over

some routes to DAC-Air, a new

private airline which is due to

launch its first internal ser-

The technical workers had

supported another candidate

who was believed to favour a

iess radical restructuring, and

they argue that Mr Racaru bad

a poor track record in his pre-

vious spell at the head of the

company. Government offi-

vice on Manday.

group from the other EU 

The court might be called nations has commected on the on say whether Europol bad acted improperly in allowing leaks of information which was supposed to kept confidential. • The ECJ might be drawn in to cases where an individual

> country's courts for access to information in the Europol Some member states believe the court should have broad responsibility to pronounce on what sort of information Euro-

> applied through his or her own

pol should be allowed to keep on its data bank. The Benelux countries last week urged the Italian presi-

dency to come up with a compromise proposal which made Romanian airline chief replaced

cials upheld the workers'

claim that the process for

appointing him had heen

incorrectly and hastily organ-

Concern nver safety stan-

dards at Tarom bas mounted since one of its Airbus A310s

crashed last year with the loss

nf 60 lives and since recent

fatal accidents involving other

Tarom has been under finan-

cial surveillance since last

September. But its future is

politically sensitive in an elec-

tion year and the government

is considering giving the com-

pany special status due to its

ised by the SOF.

Romanian airlines.

strategic importance.

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### Communists 'Red belt' peasants to vote collectively cry foul in Russian poll

leading communist yesterday accosed Russian President Boris Yeltsin of planning to rig next month's presi-dential election and said the Kremlin was blocking the opposition's access to the media across the country.

The charges came as several opinion polls showed a lead for Mr Yeltsin over his communist rival, Mr Gennady Zynganov.
"I think the results of the election will, in simple terms, be falsified," said Mr Viktor Illyukin, a hardline communist who is the head of the parlia-

ment's security commission. "I think the president will not be elected, hs will be named," Mr Illyukhin said. "Boris Yeltsin will be declared president although Gennady Zyuganov will win."

Communist officials also circulated copies of a letter purportedly sent by a regional governor in which he ordered all local newspapers regularly to publish reports written by Mr Yeltsin's campaign staff.

Russia's three national television stations devote disproportionate airtime to Mr Yeltsin. Opposition candidates. including Mr Zyuganov, have been ignored by the regional media on their campaign tours of the Russian provinces.

Each of the 11 candidates is entitled to 30 minutes of free air time on each of the two national stations and the St Petersburg channel. They can also buy an equal amount of time. But the limits have not affected Mr Yeltsin, who has

mustered all the power of incumbency to dominate the nedia, especially television. He is on virtually every newscast. Mr Igor Bunin, head of the Centre for Political Technologies and an adviser to Mr Yeltsin, said the president's lead in four out of five recent surveys meant that - barring accidents - Mr Yeltsin was almost cer-

tain to win. However, in the past Russian opinion polls have proven to be an inexact science and some analysts warned thet rural voters, one of the most committed communist constituencies. were overlooked by many of

the recent surveys. Russia's turbulent political game could also throw up a wild-card in the three-and-ahalf weeks remaining before the ballot. One possible source of trooble is war-torn Chechnya, where at least 40 Russian soldiers were reportedly killed yesterday in an attack by besieged Chechen separatists.

The battle is the most serious clash since the killing last month of Mr Dzhokhar Dudayev, the first Chechen separatist leader, and is an unwelcome reminder for tha Kremlin that Mr Dodevev's death has not ended the Chechen drive for independence. In a pre-election attempt to demonstrate his willingness to negotiate an end to the 17

month war in Chechnya, Mr. Yeltsin has said he would visit the region later this month. However, some of his advisers have cautioned thet the security risk is too great and yesterday'e attack could add

streets of the swish shopping district which surrounds it, confidence is rising that Russian President Boris Yeltsin will comfortably win next month's presidential election.

But in the depressed villages beyond the reach of most opinion poll-sters, many of Russia's peasants are still hoping the ballot will put the Communists back in power.

In the Kremin, and on the buzzing

The reforms launched by Mr Yeltsin four years ago have brought prosper-ity to the growing middle class in Russia's biggest cities, but the transi-tion to a market economy has been devastating for the countryside. Last year's harvest was the worst in three decades and impoverished rural voters responded by backing the Commu-nist party overwhelmingly in parliamentary elections last December.

In Privolnoye, a sleepy village of 4,000 citizens in the southern Russian swathe known as the "red helt" because of its political inclinations, condemnation of the current regime unanimous. Although it is the birthplace of the former president, Mr Mikhail Gorbachev, who first began to reform communism, old and young alike crave a return to the certainties. and the shabby economic guarantees, of the Soviet era.

"If they could make things as they were before, that's what I would like," says Mrs Raisa Raskina, a 47-year-old woman who earns her living peddling used clothes and kitchenware from a tattered plastic bag she carries on the handle-bars of her ancient bicycle. "That's why I will vote for the Com-

In the old days, Mrs Raskina was tha town's insurance saleswoman. But after the hyperinflation of the early 1990s devoured their savings, the people of Privolnoye became wary of putting their money into savings accounts or insurance plans. Mrs Raskina said thet this year she couldn't sell a single policy.

Her family's income has been further diminished by the collapse of the collective farm, the main employer in the village. Like most of the Russian agricultural sector, the Privolnoye farm is in such dire straits it has sold



Chrystia Freeland reports from the village where workers earn \$6 a month and a bus ticket costs \$4

Communist party leader Germady Zyuganov addressing an election rally yesterday some 500km south-east of Moscow

off all of its livestock and the monthly salary for farm workers, when they are paid at all, is Rbs30,000 (\$6). A bus ticket for the two-hour trip to Stavropol, the nearest city, costs Rbs20,000

"For the past four years they have done nothing but tear the country apart," says Mrs Maria Gopkalo, a retired teacher whose husband once

want to sell land and have private farmers, but here in Russia we need collectives."

Like most of the villagers, Mrs Gopkalo is shabbily dressed and poorly shod, and says that in winter she is hard-pressed to buy enough food for herself and her husband. Yet she is more concerned about her grandson, who, she says, is an excellent student but will not go on to university because the family cannot pay for the education which, under Soviet rule, was free. And without a degree, she worries that he will never escape his dying hometown.

Local youths, smoking rough Russian-made cigarettes and chewing sunflower seeds on a street corner, suggest that Mrs Gopkalo has good reason to be concerned. Attempting to strike menacing poses as they lean on voters of the "red belt".

Russia's central bank has intervened to protect one of the country's largest commercial banks from its creditors following persistent rumours about liquidity problems at Unicombank, writes John Thornhill

The bank, rated one of the top 20 in Russia with 250,000 private depositors, confirmed it was facing a "management crists" but denied it was in financial difficulties.

banks appear to be in a parloas financial state as the sharp fall in inflation to less than 2 per cent a month has made conditions more demanding.

But Russia's banking authorities ppear desperate to prevent a rash of banking crashes before next month's presidential election, while stressing they will refuse to bail out those ks which have run into difficulties.

The central bank, which has little regulatory experience, has been trying to develop mechanisms to protect troubled banks from their creditors and allow them to restructure.

their rickety bicycles, they form a sad contrast with the children of the rich in Moscow's extravagant night clubs. "Life is very boring here. We drink, we go wild, we steal our neighbours' chickens," says Valery, a tattooed 23year-old who describes himself as a businessman. "Why work, when every day life just gets worse and worse. It is better to steal things and sell them

at the bazaar. Like millions of disaffected blue-collar Russian men, Valery plans to vote for Mr Vladimir Zhirinovsky, the

flamboyant ultra-nationalist. If the polls are accurate, Mr Yeltsin can expect to triumph next month despite the despair of young men like Valery and his elders in thousands of

villages across Russia. However, if tha president is endorsed for a second term, one of his most daunting challenges will be to improve the lives of the impoverished

Nearly 9m join 'potentially most destabilising' migrations since 1945

### Ex-Soviet peoples on move

Nearly 9m people have moved within or between the 12 countries of the former Soviet Union's Commonwealth of Independent States since 1989 in what a report published described a most complex, and potentially most destabilising" population movements in any region since the second world war.

One in 30 of the total CIS population has been affected by this mostly involuntary and continuing migration, the report says. In the five Central Asian republics one in 12 inhabitants has moved since

While armed conflicts have been the source of some of the biggest population shifts, many have been prompted by circumstances unique to the CIS, notably the break-up of the Soviet Union in 1991, Stalin's forced deportations and envi-ronmental degradation.

The report warns that the region remains an ethnic powder-keg with the potential for destabilisation on a global scale. It was prepared for a conference on CIS migration problems in Geneva next week hosted by the United Nations Nigh Commissioner for Refu-less, the International Organisation for Migration and the Organisation for Security and Co-operation in Europe, Among the population moveTEN-LARGEST POPULATION SHIFTS IN THE FORMER SOVIET UNION SINCE 1989

Nagorno-Karabakh to Azerbaijan	
Kazakhstan to Russia	614,000
Displaced inside Tajikistan	600,000
-Chechinya to Hussia	487,000
Kazakhstan to Germany	480.000
Lizbekistan to Russia	400,000
Tajikistan to Bussia	300,000
Azerbalian to Armenia	299,000
Kyrgyzstan to Russia	296.000
Abkhazia to Georgia	273.000
and the state of t	* .

ments described in the report: About 3m people have fled seven conflicts in CIS countries since 1988, when Armenia and Azerbaijan went to war over the enclave of Nagorno-Karabakh. The latest conflict, in the breakaway regioo of Chech-

"returned", mostly to Russia. Between 1936 and 1952, Stalin deported more than 3m people, including entire populations. Among them were Volga Germans, Crimean Tatars and Meskhetians from Georgia who were still exiled

Nearly 700,000 are 'ecological' migrants from Chernobyl and a former Soviet nuclear test site

500,000 people:

The break-up of the Soviet Union into 15 separate states left between 54m and 64m peo-ple - a fifth of the total CIS population - outside their "home" territories. More than 3m of these people have

nya, has displaced about when the Soviet Union disintegrated. Some 850,000 Germans have since left for Germany, and another 330,000 people, the bulk of them Crimean Tatars, beve returned to their

• Nearly 700,000 people are

"ecological" migrants from

district, the Aral Sea basin and the former nuclear test site at Semipalatinsk in Kazakhstan. About 450 000 illegal immigrants are in Russia, many trying to reach the west. Next week's conference, to

from all CIS members and 36 other nations, is expected to approve an action programme to help strengthen the rights of refugees and other migrants and defuse tensions that could lead to conflict and further

 Azerbaijan yesterday offered an amnesty to thousands of petty criminals in its overcrow-ded prisons, Reoter reports from Baku.

The Azeri parliament approve a decree by President Haydar Aliyev to free prisoners aged over 60, war veterans, women and children convicted of minor crimes" such as theft.

The decree followed a riot at a prisoo near Baku, the Transcaucasian state's capital, at the weekend. Interior ministry troops were called in and several people were reported

injured.

Mr Aliyev's press office said 7,000-8,000 people were expected to he covered by the amnesty. In addition to those in jail, it applied to people who had yet to he charged with minor offences and suspended cases against those who had been charged.

How Czech with five shares cast doubts on telecoms venture

### Small shareholder's \$1.45bn veto

Over a cola in a quiet Prague bar Mr Martin Mosinger holder of five of the millions of shares in the Czech telephone company, SPT Telecom, con-templates the embarrassing dilemma he has forced on the government and the company, and sounds almost sorry about

Arguing that his rights as a minority shareholder were abused, he has succeeded in getting a court to cast doubts on the validity of last year's \$1.45bn deal under which Tel-Source, a consortium of PTT Telecom Netherlands and Swiss Telecom, took a 27 per cent stake in SPT.

"Nobody took me seriously." he says, outlining tha mea-sures he took to convince SPT that the transaction might be legally unsound, before resorting to the courts. "It is their problem now, ant mine."

The "problem" arises from a commercial court ruling on May 10 that a meeting of SPT shareholders in February 1995 clearing the way for a stake to be sold to a foreign partner was invalid. This was because

Vincent Boland in Prague reports on a court ruling that has embarrassed the national telephone company

proper power of attorney to exercise the voting rights of the National Property Fund, the state holding company that owned 100 per cent of SPT at the time, and now owns 51 per cent.

The meeting passed resolu-tions amending the company's statutes, appointed new board members, and decided to pro-ceed with the alliance.

According to legal experts, the meeting did not decide that people who became SPT shareholders under a coupon privatisatioo schema would not have pre-emption rights on the new shares to be issued to

the strategic partner.
Mr Mosinger is claiming preemption rights on those new shares. The government says that pre-emption rights were restricted by SPT's statutes and that, in any case, the new

the government did not have a shares were issued to allow the partner to merge with SPT and not for subscription.

Mr Mosinger claims to be acting on behalf of an "associ-ation" of shareholders who own a combined 3,000 shares in SPT and want to see an end to the partnersbip with Tel-Source. The sale of 27 per cent of SPT to TelSource last June was the high point of the government's privatisation drive and attracted huge international interest.

The tender was fiercely opposed by some Czech compa-nies and banks, which claimed that there was sufficient domestic capital to finance SPT and that no partner was oeeded. The government last spring saw off another legal challeoge that succeeded in delaying the tender by weeks. The fresb challenge is "pricost of overturning such an important transaction purely on a technicality would be far greater than any settlemeot that may have to he made with Mr Mosinger, one said. In a joint statement, Mr

Karel Dyba, the economy minister, SPT and the NPF rejected the ruling as "unjustified" and said it would have no impact oo the partnership. Mr Dyba "had all the necessary documents so as to be anthorised to execute shareholders' rights", it said. "Due to the existence of a legally valid mandate agreement, a validity of the power of attor-oey does not constitute sufficient reason for abrogation of the resolution of the general

"We feel confident the judgmeot will be reversed on eppeal," says Mr Roland Behm, a lawyer with Squire, Sanders & Dempsey, the firm that advised the government and SPT in the tender for the stake and that is also advising marily technical", lawyers on the appeal.

### Continuing growth - an incentive for the future

With profits up by 10% in 1995, the Kredletbank has again prolonged its track record of uninterrupted growth, an achievement brought about by its risk- and cost-conscious management and the dedicated efforts of all its employees.

On its home market, the bank has experienced significant, autonomous growth and succeeded in upping its market share, thanks to e few well planned acquisitions. Abroad, the Kredietbank has continued to step up its activities, opening new branches of its own and taking minority interests in banks located in such countries as the Czech Republic and

Positive developments such as these demand the continuous monitoring and adjustment of the company's organizational structure, and this has led to the majority of head-office divisions being centralized at the bank's new administrative

In the years to come, the Kredietbank will continue to pursue its chosen course of action on both the domestic and international front, ensuring that its customers are indeed "Better Off with the Bankers of Flanders". If you are interested in finding out more about ue, ask for a copy of the annual report, which can be obtained by writing to: Kredietbank, Mr. Herwig Bauwens, Head of Financial Communication (8381), Hevenlaan 2, 1080 Brussels.

Or, if you prefer, you can fax your request on + 32 2 422 81 60.



BETTER OFF WITH THE BANKERS OF FLANDERS

Brazil's most powerful husiness leeders yesterday called on the government to relax its tight money policies and speed up approval of the country's economic reforms.

The call, an implicit criticism of President Fernando Henrique Cardoso, added to pressure for government action amid opinion polls suggesting its popularity is falling.

in a high-profile annual meeting of more than 2,000 husinessmen, in the capital Brasilia, leaders delivered a document to Mr Cardoso, asking the government and Congress to approve speedily social security and civil service reforms so as to cut public sec-

"The slow speed at which these reforms are being handled in Congress, and the successive concessions regarding their depth and reach, are unacceptable," the document read. Business leaders also attacked Brazil's high interest rates and slow progress in

bureaucracy on husiness. In a speech to the business leaders, Mr Cardoso said opposition tactics and complicated procedural rules in Congress meant the reforms were going

as quickly as possible. "Let's do the reforms, but for this I need the support of the Brazilian people," he said. The president also tried to silence criticism of Brazil's high interest rates, saying nominal rates had fallen from 4.5 per cent a month last year to about 2 per cent a month.

Business leaders believe real

rates, now above 12 per cent a

year, are still far too high. Mr Cardoso and his ministers consistently hlame Congress for the slow approval of the reforms, which were first proposed 15 months ago. The president's coalition is weak and the securing of many votes relies on time-consuming, individual negotiations hetween interest groups.

The husiness leaders' criticisms follow apinion polls, released at the weekend, suggesting Mr Cardoso's popularity has fallen sharply in the age of people classifying his government as good or very good has fallen from 38 per cent in March to 25 per cent, prohably reflecting concern ahout rising unemployment and media criticism of the government's social policies.

The apparent fall in popularity has worried some government members since it could strengthen the hand of opposition groups in Congress. It could also add to pressure nn the government to relax its attack on inflation in order to pursue faster economic growth

In a further indication of unease with the government's tight money economic policies, which saw the economy shrink 2 per cent in the first quarter, Brazil's higgest union groups are planning a one-day general strike on June 21. The unions are demanding policies to create jobs and higher pensions. Civil service unions have heen on strike for higher wages since last month, although few government departments have been seriously affected.

### Surinam strongman seeks electoral comeback today

By Cenute James in Kingston

Surinam's former military strongman is making a strong challenge to hecome president via elections today, after being defeated in two previous polls. Mr Desi Bouterse, who mounted coups in 1980 and 1990, and led a military dictatorship from 1980-1987, is neck and neck with the incumbent president, Mr Ronald Venetiaan, in the former Dutch

north-eastern shoulder of Sonth America. Mr Bouterse, 50, has promised to reverse many of the economic reforms implemented by Mr Venetiaan's government over the past five years.

colony of 450,000 people on the

Deregulation of the economy. including a structural adjustment programme, has eroded

and the collapse of the Surinamese guilder. The economy, which bas been contracting since the mid-1980s, is based on agriculture (bananas and rice), and fishing, as well as on bauxite mining and refining, and on

The party of Mr Bouterse has campaigned for "respect for the country's sovereignty", and said it would review all agreements with foreign companies if it took office. "Just like the time we were in power, our focus will be to increase local production and develop new industries," Mr Bouterse said. Mr Venetlaan, 59, claims his

aluminium smelting.

administration has been successful in controlling the army and having Mr Bouterse and other leaders resign from the

the administration's popular-ity, as has hillowing inflation military three years ago. His government also signed a pact which ended a protracted rebellion in the interior. The president's supporters

say election of Mr Bouterse would lead to renewed economic collapse, international Isolation and violation of human rights. The election today will be for

the national assembly, whose new members will suhsequently hold a presidential election. To win the presidency, a party needs a two-thirds majority in the assem-bly. Failing that, the united people's conference, which also contains local and regional councillors, would elect the president by simple majority. Mr Bouterse is thought likely

to be better supported among

\$4.25 in force since 1989 - and suspend-

The House of Representatives was on track yesterday to pass an increase in the US federal minimum wage, hut probably with conditions that might cause problems in the Senate and with President Bill Clinton.

Even Senator Don Nickles, Oklahoma Republican, warned that his colleagues would certainly want to make the House hill "better". Senator Tom Daschle, Democratic leader in the Senate, promised unspecified amendments, meaning that Senate action is probably two weeks nr so away.

The twin issues of raising the minimum wage - to \$5.15 an hour from the

ing for the rest of the year the petrol tax of 4.3 cents a gallon enacted in 1993 have tied up Congress for weeks. in a classic election-year confrontation between the two parties.

On Tuesday night, the Honse did approve, by 301:108, the petrol tax reduction, touted as relieving pressure on pump prices, though these are forecast to drop in any case. The estimated \$2.9hn loss in reve-

nues would be mostly financed by fur-

ther auctions of the digital hroadcast

spectrum and, in a partisan twist inserted by Republicans, by cutting the travel hudget of Ms Hazel O'Leary. energy secretary. For Republicans, this was also an

of the petrol tax by this weekend, when the Memorial Day holiday ushers in peak summer driving. Similarly, the Republicans in the

House are determined to link the minimum wage increase. a Democratic priority, with another proposal to exempt all small husinesses (those with annual sales of \$500,000 or less) from having to pay it. Current law exempts most small husinesses hut not those princi-

opportunity to demonstrate determina-

tion to eradicate a "Clinton tax bike".

Coogressman Newt Gingrich, Honse

Speaker, had promised a House repeal

pally engaged in inter-state commerce. Although the tax breaks and the minimum wage are to be voted on separately, the Republican leaders are selling them as a package to reconcilparty conservatives, whn oppose the wage increase, and moderates. But Mr Gingrich canceded that Mr Clinton might veto the small husiness provi-

sion if it survives in the Senate. Senator Bob Dole, Senate majority leader and presumed Republican presidential candidate, has denied Democrats a straight vote on the minimum wage for weeks, as they have denied him a petrol tax division.

His departure from the Senate next month, on resignation, may break this impasse, but probably not if his successors continue to insist on passing another hill on collective bargaining which is vehemently opposed by organ-ised labour and the Democrats.

# Bahamas plans unhurried sell-offs

Canute James reports on progress towards electricity and telecoms privatisation

₹ be Bahamas government is preparing to offer local and foreign private investors a stake in its electricity and telecommunica-national airline, as it nears completion of its privatisation plan's first stage.

The government reached agreement on the sale of a hig hotel in Freeport last month, leaving a 700-room property in Nassau as the last hotel to be privatised. "After this, we will look first at the electricity company, and then the telecommunications company, said Mr Frank Watson, deputy prime minister responsible for privatisation.

But he cautioned that the envernment would not burry privatisation of the companies and that this would take it beyond the next election, due in 18 months. "The government did not rush to sell these companies in its current term because there was really no hurry as they are making money," Mr Watson said. The planned sales are part of

government efforts over the past four years to reduce the state's involvement in the economy, which had increased under the 25-year administration of Sir Lynden Pindling. The airline and hotels had huilt up large losses and have heen accused of mismanagement. Some state enterprises, notably in the vital tourism sector, also need to improve

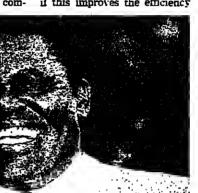
technology and capacity to keep pace with demand The government has won

plaudits from foreign observers for its policies. "This government gets good marks for getting things done." said Mr Steven Giegerich, economic and commercial officer at the US embassy in Nassau, "The com-

PLP chairman. "One which was worth \$20m was sold for \$8m. The foreign investors have been very happy."

But party officials say that if

it regains office next year, the PLP will respect agreements with foreign investors and will consider further privatisation if this improves the efficiency



Ingraham: state cannot maintain infrastructure

panies which are likely to be privatised need restructuring. The quality of service offered hy the telecommunications company, for example, has heen an impediment to the financial services sector, So the government is moving in the right direction.

However, the opposition Progressive Liberal party has been critical of the way the hotels have been privatised. "Some hotels were literally given away to foreign investors," claimed Mr Ohie Wilchcombe,

of the enterprises. First on the government's mas Electricity Company. which provides 70 per cent of

the country's power. Although sale of the power company is several months away, there is already one likely bidder. Southern Electric of the US. which is co-owner of the Freeport Power Company in Grand Bahama, will consider buying into the BEC, said Mr Larry Brantley, Freeport Power's chief executive. "If the Bahamas Electricity Company is up several hundred islands, of for sale, then we would be interested," he said. Second on the sell-off list is

the Bahamas Telecommunications Company, has been the subject of complaints by the husiness community, particularly the offshore financial services sector, for its inefficiency and relatively high rates. Mr Huhert Ingraham, the prime minister, has admitted: "The state is unable to maintain the telecommunications infrastructure demanded by the business community."

"We are looking at a mix of ownership," said Mr Watson. We want a new partner and the Bahamas private sector to have majority share holding. A block of under 50 per cent will be sold to a major company in order to bring us experience and technology. This is the plan for the electricity and the telecommunications compa-

The privatisation will be through competitive hldding. except for Bahamasair said Mr Watson. The airline has been unprofitable, although government officials claim that recent changes in Its structure and administration have cut costs and increased prospects for profitability. "We are looking for a partner which will likely be a foreign carrier," said Mr Watson. "The government will have to assume the liabilities of the airline when it is being privatised.

With the country made up of

which about 30 are inhabited the government will insist that the new owners will have to fly mutes which are not commer cially viable, but which are needed to parts of the country.

"Such special arrangement might also have to be made by the electricity company is to small islands which do not have a large enough market to make it profitable," said Mr James Smith, governor of the Bahamas central bank. "This will he either a transparent subsidy or an agreement with the private owners."

The government expects the new owners of the companies will accept this, particularly as they will be allowed to continue as monopolies for several years after privatisation.

Such concerns about the provision and cost of services have led to a delay in offering the water company for sale. Northwest Water of Britain is overseeing a \$300m sewerage management plan in the Bahamas, but Mr Ingraham says much more needs to be done with the water company.

"The company requires sig-nificant capital investment," the prime minister said, \*Rates will jump if it is privatised, so we will not be offering it for sale." An alternative, say officials, is increasing purchases of water from private compa-nies such as Bacardi, the distillers, which is selling water to the state-owned company.

#### **NEWS: INTERNATIONAL**

Disbursement of funds made conditional on restructuring at the African Development Bank | OECD agrees

### Donors pledge \$2.6bn in soft credits for Africa

By Paul Adams in Abidjan

Donor members of the African Development Bank have committed at least \$2.6bn for its soft credit arm, the African Development Fund, ending a two-and-a-half year freeze on new lending.

The impasse over the fund's replenishment overshadowed annual meetings last year and

in 1994. Disbursement of funds over the next two and a half years will be conditional on restructuring the bank and will depend on whether changes, recommended in external reports on the AIDB's governance and financial management this year, are implemented.

The most crucial issue reforming the bank after years AFRICAN DEVELOPMENT BANK

	1991	1992	1993	1994	1996	1996
Disbursements	1,030	1,061	1,044	1,000	712	
Yearty loan approvals	1,576	1,358	1,174	969	449	
Arrears	160	249	400	378	546	539

corruption scandals and open conflict hetween the former president and the directors has yet to be resolved.

Cash-strapped donors are unlikely to press their demand for an increase in the non-African shareholding from a third to a half. But they have called for all decisions to require a

two thirds majority. This would guarantee the non-Africans more say in the in which it was plagued by AfDB, with or without a larger

(Figures in millions of Units of Account\*)

percentage of the shares, at the next general capital increase. When the ADF ran out of resources in 1994 the non-African members blocked the replenishment hecause they helieved the bank was Donor mismanaged. contributions to the fund remain tight as four donors have cut their share of contributions: the US, which

announced it could only

provide \$200m and is in arrears

to other development hanks.

The executive board of the International Monetary Fund yesterday voted unanimously to reappoint Mr Michel Camdessus as its managing director, giving the 63-year-old Frenchman an

unprecedented third five-year term, Robert Chote writes. The vote took place as the IMF board celebrated its 50th anniversary. Mr Camdessus has won widespread respect as a tough negotiator and effective administrator despite annoying most of the influential lobbies within the IMF's membership at one time

Japan, which gives priority the Asian Development Bank replenishment. Canada and

Although the \$2.6bn is \$400m less than the fund wanted, Japan hopes to top it no with a extra money at a donors' meeting next month in Osaka. The commitment includes \$1.6bn in new money and \$1hn of recycled funds, cancelled commitmenta and arrears, incloding \$300m which Italy pledged but failed to pay at the last ADF replenishment. The hank's loan arrears

reformist president, reminded governors yesterday that 24 countries were in default to the policy so that only 14 members

AfDB, compared with only five to the World Bank.
Disbursements and new approvals are declining as the AfDB has tightened credit

qualify for concessional loans

and sanctions come into

remain an acute problem. Mr

Omar Kabbai, the bank's

effect if payments are 30 days

Twenty-four countries are in arrears but 75 per cent of the \$500m owed is accounted for hy by six long-term defaulters with severe economic problems: Zaire, Congo, Cameroon, Angola, Liberia and

Somalia. Memher governments are impressed by the speed and determination with which Mr Kahhaj has addressed the problems. The bank has sacked 240 staff, slimmed down the management, and hired 70 per cent of new managers from outside and is improving project monitoring, treasury management and budget

procedures. A report hy Ernst and Young on malpractices at the AfDB since 1993 is due out next

# action to fight bribery

By Guy de Jonquières and Gillian Tett in Paris

OCDE The US scored a success in its cam-

tougher inter-national action against corporate corruption. when industrialised countries agreed to make corporate bribery of foreign government offi-cials a criminal offence.

But the agreement, at a ministerial meeting of the Organisation for Economic Co-operation and Development, was only reached after a last-minute concession by France, which had sought a less binding commitment.
France backed down after

winning the ministers' hacking for a proposal that the World Trade Organisation he asked to begin talks, and possibly initiate negotiations, on trade and investment - an idea towards

which the US had been cool. The US is the only country to bave outlawed bribery of foreign officials. As well as pressing other OECD members to pass similar legislation, it is urging action in the WTO against strong opposition from many developing countries.

The OECD ministers agreed to "criminalise such hribery in an effective and co-ordinated manner" and to re-examine the tax deductibility of hribes to foreign officials, where this was still permitted. The ministers have agreed to consider proposals for international anti-hribery instruments next

The agreement was heralded hy the group as an example of the role the organisation could play in promoting interna-tional trade.

However, ministers admitted that the OECD itself urgently needed to introduce reforms. They have called for a special meeting of OECD officials and diplomats to discuss the future of the group, which is due to have a new secretary-general. Mr Donald Johnston, next month.

Nevertheless, the meeting

reforms the members think the OECD should take. Japan, which is likely to become the largest donor this year, is keen to see it playing a hroadly based role in promoting sound economic policies. Other countries, auch as Canada and the US, bowever, have called for a more activist role promoting global trade, and want rapid structural reforms at the

As the OECD gave a cautious response to Russia's surprise application for memhership earlier this week, memhers remained divided about bow quickly the group should expand. Although Austria is keen to see Russia accepted. countries such as Japan and the UK doubt whether Russia will meet OECD membership requirements rapidly.

Ministers admitted the OECD urgently needs reforms

A rearguard campaign hy Britain hlocked a US-led attempt at the meeting to win OECD support for a proposal that the WTO be asked to take up the issue of trade and lahour standards, another issue which has proved highly controversial in the developing

world. Though the ministerial meet ing was marked by strong criticism of aggressive unilateral US trade policy - notably legislation that would allow legal action against foreign companies with investments in Cuba - the differences were papered

over in the final communique This committed OECD governments to avoid any trade and investment measures which conflicted with WTO rules. However, the US successfully resisted an attempt. backed by most members, to include a specific condamnation of unilateral trade mea-

# Gadaffi takes a surreal view of world economy

James Whittington joins bewildered international delegates at a conference on Arab development

ressed in a white suit and green silk shirt, Lihya's flamboyant leader lectured his foreign guests on the state of the world economy and the simple pleasures of bedouin life.

"It's incredible to think that people are using milk in their bathrooms when others can't find enough to drink." Colonel Muammer Gadaffi said. "Why do factories put milk, eggs and lemnn in products such as sbampoo and then complain they can't sell them freely around the world... These are silly, trivial and devilish prod-

For two and a half hours the Libyan leader gave a surreal and at times comic address to his increasingly restive guests from around the world assembled last weekend in Benghazi, the country's second largest

The visitors - including senior international officials had come to attend a conference on changes to the world economy and their effect on They included the secretary.

general of the Arah League, a

former French foreign minis-

ter, officials from the interna-

tional Monetary Fund, the central bank governor of Malta, the vice-governor of Romania's National Bank, and various representatives of other Arab. African and international multilateral organisations. Col Gadaffi'a outline of his

visit that for many delegates

had already turned into something reminiscent of Alice in Wonderland. Most delegates had travelled to Libya by road from Tunisia hecause of the four-year-old United Nations ban on flights tn and from Lihya. Having braved these travel difficulties, the delegates found the venue for their conference was switched from Tripoll, the capi-

many surprises. Getting to Benghazi involved an hour's flight that ended with a collective sigh of relief from passengers.

The UN ban on flights affects only international journeys: it makes no mention of domestic air routes and there is also a UN embargo on spare parts for Libyan aircraft. The potential consequences of that were brought home to those passengers who caught sight of two



Gadaffi: "Why do we need so many different sizes of spectacles?"

runway at Tripoli.

The limited UN sanctions were imposed in 1992 to try to force Lihya to hand over two men accused of the 1988 bombing of PanAm flight 103 over Lockerble in Scotland Since

Boeing 727s that had crashed a more isolated from the rest of few years ago alongside the the world - and from the economic reforms embarked on hy

most of its neighbours.

Delegates to the conference had gathered with high hopes of discussing trade liberalisation, structural reform, and other policies to stimulate prithen, Lihya has become even vate sector-led economic ture. But more than 60 hands of Libyan Arah Airlines.

growth in the Arah world. Perhaps, some thought optimistically, the Lihyan authorities had begun to realise the need to open up more to the outside But in a country governed

for the past 27 years on the basis of Col Gadaffi'a evolving theories of a socialist, Islamic. and Green Utopia, nothing is As he lectured his audience on the simple and virtuous structures of hedouin life, some delegates could be seen sinking lower into their seats.

"Can someone tell me: Why

do we need so many different sizes of spectacles?" he said,

looking at his tinted glasses as if for the first time. "Why do we need so many colours in our pencils?" he went on, holding up a crayon. "And who can eat this?" he inquired picking up a large

In the same vein, he criticised what he saw as the developed world's obsession with the services sector of the economy. Only 9 per cent of the world's labour force, according to his figures, are employed in his favourite sector, agricul-

crystal ash tray.

per cent work in services. "What good is it to anyone to have an army of models who are paid high incomes to advertise these silly products?" he photographers? These are not

useful services like farming." he added, as the cameramen in the Conference hall shuffled fter giving Mr Gadaffi a standing ovation for his thoughts, the conference seemed to lose its enthusiasm for discussing such

issues as the effect of the

World Trade Organisation on

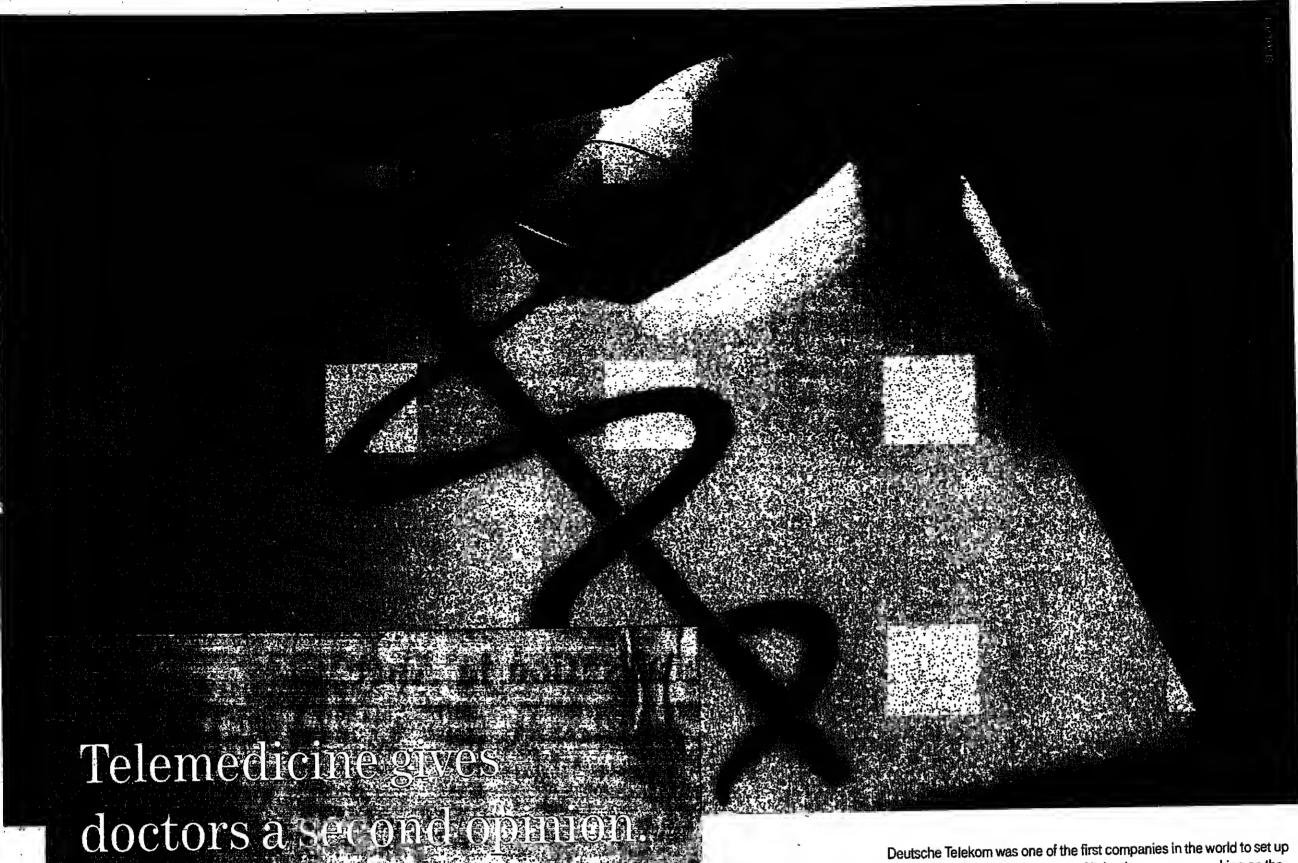
the Arab world and how Libya

might benefit from the Euro-

pean Union's partnership policy with Mediterranean coun-Instead, delegates appeared keener to board their aircraft for Tripoli and lo return to the outside world via Tunisia.

"Sadly, the Libyans can only remain isolated while their leader has the power to make everyone listen to ideas such as these," one visitor remarked, as he prepared to put his fate once again in the







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# to EU on chip

By Guy de Jonquières in Paris

tariffs

Japan is insisting that the European Union commit itself to aholishing semiconductor tariffs by the year 2000 before Tokyo would be prepared to accept an EU proposal for a semiconductor industry agreement that would also include US producers.

A senior Japanese official said a formal EU pledge to scrap the tariffs was the minimum condition required by his government. Tokyo also wanted to be certain the proposed arrangement would not contain numerical targets for foreign semiconductor sales in Japan or lead to managed

Sir Leon Brittan, EU trade commissioner, who has been pushing hard for a co-operative agreement between semiconductor producers in the US, Japan and Europe, has repeat-edly said it should not contain import targets or encourage managed trade.

However, the Japanese official said discussions with execntives of Philips of the Netherlands, Stemens of Germany and Thomson of France had not satisfied his government that Europe's three main semiconductor producers shared

these objectives. Until now, Japan has flatly refused to consider the EU pro posal. It was not immediately clear whether its demand that the EU first agree to scrap tariffs reflected a softening of its position, or was a diversionary tactic designed to turn the tables on Sir Leon.

In an effort to put pressure on Tokyo, the EU trade commissioner threatened last month not to back a plan to liberalise global trade in information technology products unless Japan supported the

semiconductor accord. Sir Leon wants the accord to replace a five-year-old semiconductor agreement between the US and Japanese governments, which expires at the end of July. Washington says it wants the hilateral pact renewed, hut Its demand has been flatly rejected by Tokyo.

# Japan call Washington attacks EU over computer tariffs

By Frances Williams in Geneva

The US yesterday criticised European Union customs treatment of certain computer and telecoms products at the World Trade Organisation but stopped short of making a for-mal WTO complaint.

US and EU officials are to discuss the issue within the next two weeks, probably in Geneva, following complaints

Uruguay Round of global trade Mr Booth Gardner, US

action affected trade worth

hundreds of millions of dollars

a year and reduced the benefits

of tariff cuts negotiated in the

categories.

hy American exporters that ambassador to the WTO, said Britain and Ireland have Ireland appeared to have pushed items into higher tariff reclassified computer networking equipment as telecoms The US told the WTO's coundevices bearing a 7.5 per cent cil on goods yesterday that the duty rather than as computer

> equipment attracting a 3.5 per cent tariff. Britain has reclassified PCTVs - personal computers that can be used as televisions in multimedia applications as consumer electronic prod-

ucts with a tariff of 14 per cent. EU officials denied yesterday that there was any policy intention to raise tariffs on these items, saving that the US and the EU hoth classified computer networking equipment as telecoms products.

Because of differences in interpretation by EU member states, the European Commission had issued clarifications in 1994 and 1995 which had tariff treatment for products using Local Area Network equipment. Other memher states were aiready applying the higher tariff, EU officials

The Commission has made

no decision on the tariff classification of PCTVs, leaving it to member states. However, in a recent case

hrought by Japan's Fujitsu, a

were televisions rather than computers, a ruling that now binos the British customs authorities.

EU officials are hoping the row can he settled within a few months, either within the framework of the World Customs Organisation which decides ou customs classificaway between the leading trad-

WORLD TRADE NEWS DIGEST

Mitsubishi looks

at China tie-up

Mitsubisbi is considering making car engines in China in

Aerospace Corporation which is trying to shift to civilian

production. The Japanese motor company's announcement

manufacture engines, some of which will be exported.

The veuture, which gives Toyota an important entry into

the Chinese vehicle market, will produce 150,000 units of a

newly developed 1.3 litre engine, Production will hegin in early (

The company has also established a separate joint venture

with Tianjin Automobile to machine and assemble constant

coincided with confirmation by Toyota, Japan's largest carmaker, that it has tied up with China's Tianjin Automobile

co-operation with state-run defence contractor China

Industrial to form an equally-owned joint venture to

1998 when the engines will be installed in small cars

manufactured by Tianjin Automobile with technical

velocity universal joints.

assistance from Daihatsu, a Toyota affiliated company.

resulted in Ireland changing its British court ruled that PCTVs ers on an Information Technology Agreement which would eliminate duties on all electronics and information technology products.

Earlier this year, the European Commission defused a similar dispute with Japan over CD-Rom drives by dropping plans to reclassify them as consumer electronic prodtions or in talks now under ucts rather than computer peripherals.

Michiyo Nakamoto, Tokyo

### German companies slip in motor parts profits league

By John Griffiths in London

Only one German company appears in the top 20 European motor components companies ranked by operating profitability. Only three appear in the top 40 and many are now either making wafer-thin profits or losing money, according to an Economist Intelligence Unit report.

The report concludes that. until the German sector's financial and cost structures are addressed, "the situation is bleak and further rationalisation of the German supply base would appear inevitable."

The EIU statistics show that of the top 10 performing companies, measured by operating profit, three are British, four North American, one French and one Italian, French, UK

and US companies fill the hulk of the top 40 rankings.

For years, the report says, Germany's motor and motor components sectors have been the driving force behind European economic growth. However, the report suggests that other countries' suppliers have adjusted to changing demands more quickly than the German

However, the pressures on the entire sector are highlighted by the report's findings that only 12 of the 100 companies surveyed made operating profits of more than 10 per cent

It also warns that too few European companies are positioning themselves to become the global players required by the car industry and forecasts that major US components

and AlliedSignal can be expected to thrust increasingly into Europe through acquisitions or joint ventures.

The report follows an EIU study of the \$500bn-a-year world motor components industry which concludes that the viahility of poorly-focused conglomerates in the sector is coming increasingly under The industry leaders of early

next century will he those which have shed non-core husinesses to concentrate on organic growth in the specialisations in which they are stron-

The study also rejects the contention of Mr George Simpson, the outgoing Lucas Indus-tries chief executive, and some other industry figures that the Western Europe: unit growth of selected automotive components (m. units)

Product	1991	1995	2000	% Change 2000/1991	
Airbegs	n/a	11.0	32.0	190.9"	
Air conditioning	n/a	3.2	6.9	115.6	
Automatic transmis	sions 1.3	. 1.2	1.8	24.2	
Batteries	43.5	45.6	50.1	15.2	
Disc brakes	- 39.3	38.8	38.7	-1.5	
Drum brakes	13.1	12,9	12.8	<b>-2</b> .3	
Clutches	29.4	30.0	29.1	-1.0	
Exhaust systems	71.9	77.6	27.3	21.4	
Oil filters	*** 150.5	181.0	182.8	21.5	
Air filters	48.0	49.8	56.3	17.3	
teadlamps	29.2	29.2	29.2	0.0	
Shock absorbers	68.6	65.4	68.2	~0.6	
Sparking plugs	592.0	497.5	394.5	-33.4	
Tyres	183.2	183.8	198.8	8.5	
Moor Maries	134 7	144 2	180.5	192	

sector will be dominated by just 20 truly global "tier one suppliers by 2010. The world report predicts

1995-2000 only

that hy then there will be "at least 40" such suppliers operating glohally, led hy Delphi Automotive. General Motors' components subsidiary. Delphi is already by far the world's

largest components group with turnover of \$26bn last year around double that of closest and Robert Bosch of Germany. The European Automotive Components Industry. The Econo-

rivals Nippondenso of Japan mist Intelligence Unit, 15 Regent Street, London SWIY

#### Bovis wins Shanghai contract

One of the biggest construction management contracts to be let in China, for a \$380m office, retail and residential development in Shanghai, has been awarded to Bovis, part of P&O. the UK engineering, property and shipping group.
The project, in the Bund district of Shanghai, will provide a

50-storey office tower, two 22-storey resideutlal towers and shops, it will occupy almost two bectares and form an important part of the redevelopment of the old financial district. The contract's signing, awarded by Sinar Mas of Indonesia, was witnessed by Mr Michael Heseltine, deputy UK prime minister, in Shanghai. It is the latest in a series of Chinese developments won by Bovis, Last month a joint venture between Bovis and Thames Water of the UK was awarded a concession to huild and operate, over 20 years, the \$73m Da Chang water treatment project, Last year a separate Bovis joint venture won a \$22m contract to huild and manage Shanghai's Intex Exhibition Centre. Andrew Taylor, London

 Bombardier, the Canadian transport equipment group, has sold four Regional Jets worth \$80m to Pampas Air of Argentina. The deal is a breakthrough for the 50-passenger jet in Latin America. So far, Bombardier has delivered 113 Regional Jets to Canadian and interoational airlines. Bombardier also announced the sale of two 37-passenger Dash8-200 turboprops worth \$25m to Ahu Dhahl Aviation. The aircraft, which are designed for hot climates, will serve the Gulf offshore oil industry.

### seeks earlier IT liberalisation in Apec

The US is pushing fellow members of the Asia Pacific Economic Co-operation forum to liheralise trade in information technology (IT) and other areas ahead of agreed group commitments to do so by 2010. If accepted, the proposal -put forward yesterday in Cebu at a meeting of officials from Apec's 18 member countries would he presented to the World Trade Organisation's first ministerial gathering in

Singapore this December. Under the US initiative. Apec's developed member

liberalise trade in information technology, wood products, non-ferrous metals, oil seeds and white distilled alcohol. Apec's developing member countries would pledge to liberalise trade in these products hefore their separate deadline

We want to develop an Apec consensus on this which we could then, as a group, submit to the European Union hefore the WTO meeting in Decemher," said a senior US trade official. "We have been given negotiating authority [by Con-gress] to pursue this with our Apec counterparts. We think

that our partners including Japan will respond positively to the plan." The move would give a fillip

to liberalisation in Apec following last year's "action agenda" agreed in Osaka. The proposal is expected to be discussed in Cebn today and at the next preparatory meeting of senior Apec officials, to he held in August. Officials yesterday expressed surprise that all 18 memhers - including Hong Kong, Indonesia, Japan, Malaysla, Mexico, New Zealand. Papua New Guinea, the Philippines, Singapore, South Korea. Taiwan, Thailand and the US had suhmitted individual

action plans on the first day of talks in Cebu.

The action plans, detailing members' pledges to meet commitments on cutting tariffs in 15 areas starting in January 1997, will be integrated into a single package hefore the November meeting.
"I would say that the process

has moved forward," said Mr Antonio Basilio, deputy chairman of the Cehu meeting, yesterday. "We're happy to report that all 18 economies submitted their individual action plans and the initial reading is that the substance was credihle. We got more than we

The Philippines, which is chairing Apec this year, is also promoting a plan among its six south-east Asian partners to extend Asean (Association of South-east Asian Nations) tariff reductions to the whole of Apec on a unilateral hasis. Members of Asean, which have agreed to reduce tariffs to a common rate of 5 per cent hy 2003, have not yet formally responded to the Manila initla-

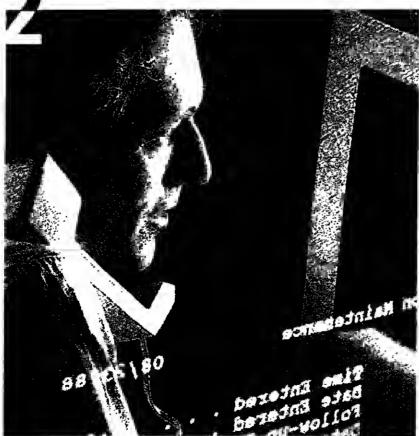
Progress, however, was made yesterday on formulating a "road map" for the liberalisa-tion of intellectual property rights and harmonising customs standards in Apec.

### SIEMENS **NIXDORF**



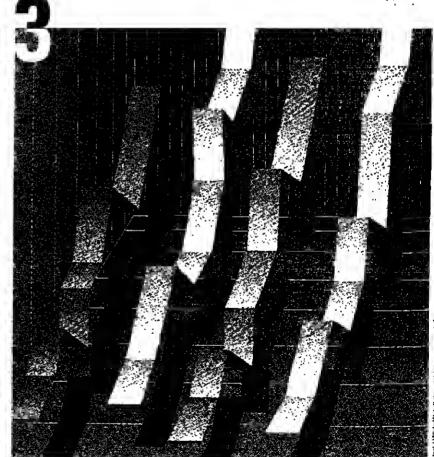
# Change Attitudes

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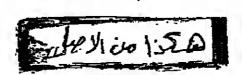
Process-oriented thinking means calling into quastion your organization's internal processes - and incorporating the dynamic competitive environment in your thinking. This is the principle upon which the comprehensive business process reengineering solutions from Siamans Nixdorf are based. From the initial strategy all the way to firmly establishing the reenginaered process structures in your organization. You'll also be benefiting from the introduction of powerful IT tools and forward-looking computer solutions. When Siemens Nixdorf handles reengineering projects, they're cost-effactive and consistently transparent.



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# Siemens Nixdorf: User Centered Computing



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he mew global force in printing.

## NZ presses 'hands off' bank reform

and agencies

New Zealand's ground-breaking "hands off" banking supervision regime took another step forward yesterday when the country's central bank issued pamphlets to help clients judge the financial strength of their own banks.

The new system of supervision involves almost complete deregulation of the banking sector, hy moving from inten-sive monitoring by the Reserve Bank to public disclosure of the banks financial position and allowing customers to make up their own minds.

Mr Don Brash, Reserve Bank governor, said the new regime imposed strict requirements on directors to sign statements on the bank's affairs on a regular basis. If they signed without asking the "appropriate ques-nons", they would put themsetves at considerable personal risk and could face penalties

under New Zealand law.
The Reserve Bank will continue to register banks and set capital adequacy ratios, and can intervene in a crisis, but the main control will now be through quarterly public statements banks must supply to all hranches. It can also initiate proceedings against banks for any statement thought to be false or misleading.

Mr Brash said the full disctosure statements the Reserve Bank requires would he cumbersome and full of financial details too complex for ordinary bank customers. A simplified version of the statements would be available at all bank hranches when the first reports

are issued later this month. The pamphlets released yesterday are designed to help ordinary customers understand the simplified statement. including its balance sheet. and to assess its credit and risk

available in all bank branches.

Mr Brash said that, unlike many other countries, the new supervisory regime does not seek to protect depositors or promise any compensation for losses in the event of failure.

The main objective was to increase incentives for the banks to monitor and manage their risks prudently. It would ensure bank directors take ulfimate responsibility for managing risk, and provide deposi-tors and others with more timely information to improve their ability to decide where to

Mr Brash said the new procedures had attracted consider ahle international interest from other central banks. But he doubted the new system would have prevented the failure of New Zealand's leading hank, the then state-owned Bank of New Zealand, in 1990, or protect banks from Baringstype collapses through fraud.

There is not a lot of evidence that the previous regime was actuatty proving totally effective in the countries where it was being used. You looked around the world and saw quite a number of situations where banks failed, or were at least in difficulties, despite that intensive supervi-

"We are quite convinced the new approach will usefully strengthen the incentives which directors have to operate their banks prudently, and so will reduce risk in the bank-

ing system."

Mr Brash said the fact most New Zealand banks were overseas-owned had not been a factor in deciding to implement the new requirements. "When we were drafting the proposals in 1991, most of the banks were New Zealand-owned." But hecause so many were now overseas-owned, "[it] means that we can't he indifferent to

# Malaysian dream steel project is a flop

in Kuala Lumpur

It was the steel company which seemed to have everything: a protected and booming home market, access to vast pools of funding, and the prestige of being the prime minis-ter's brainchild. But this week t ail went wrong.

Perwaje Terengganu, once lauded as a trailbtazer in Malaysia's long-term industrial strategy, was confirmed as insolvent, making it one of the higgest flops in the country's broad economic transforma-

As the government considers rescue ptans for the stateowned company, private-sector economists say that Perwaja's misfortune is a freak occurrence, though one that pro-

the dynamics of Malaysia's managed economy. "Perwaja's case is hy no means typical." said one local economist. "But it does provide a cautionary tale of what can happen to grandiose plans if mechanisms of supervision falter."

The case has also rekindled debate about rivalries in the Malaysian leadership, Perwaja was commonly seen as a pet project of Dr Mahathir Mohamad, the prime minister. and while his deputy. Mr Anwar Ibrahim, was responsihle as finance minister to exptain its collapse, his public criticism of the company's management was bound to generate political speculation, broker house analysts said.

Mr Anwar told partiament

on Tuesday that Perwaja had

vides an insight into some of debts of M\$6.92hn (\$2.78bn) while its accumulated losses of M\$2.95hn amount to almost double the company's paid-up capital, in addition, an investigation has uncovered several cases of mismanagement and government official are examining "financial irregularities" at the company.

Perwaja was set up in 1985. Within three years problems had set in.

The steelmaker had horrowed in yen, opening itself to exchange losses as the Japanese currency hegan its giddy appreciation in the second half

And although lahour was relan'vely cheap and the domestic market protected by steel import tariffs, Perwaja's debt had already reached about M\$1hn when, in 1988, Dr

Mahathir selected an industrialist. Mr Eric Chia, to revive the company's fortunes.

But, as Mr Anwar's statement this week has revealed. Mr Chia's tenure turned a had situation worse.

Under his stewardship, Perwaja borrowed again, this time to finance a M\$1.2bn heam and section mill in Dr Mahathir's nome state of Kedah, 320km from the company's main plant on the eastern seaboard state of Terengganu. Though the move to Kedah brought much needed industry to a relatively disadvantaged area, it also drove operating costs sky high.

"The group will continue to face gross operating losses even if financial costs and foreign exchange losses are not taken into account. Mr Anwar told parliament, quoting from

an independent audit by Price Waterhouse, the UK accountants. Some 78 per cent of the company's accumulated losses came from debt service charges and foreign exchange losses.

Perhaps the most disturbing aspect of Perwaja's fall was that many decisions were taken without the knowledge of the company's board of directors, mostly government appointees. Such was the lack of transparency that as Perjawa sank deeper into debt in 1994. Mr Chia was still being nuhlicly praised for his restructuring efforts.

"Contracts were awarded and completed before getting approval or verification from the board." Mr Anwar said.

The absence of transparency in government action is widety acknowledged. Mr Daim Zain-

uddin, senior adviser to the prime minister and a former finance minister, said before this week's disclosures: "The government wants transparency hut it will take 6 bit of time before things come to the notice of the cahinet." He said this was because government was made up of "various groups, various vested inter-

Some private economists say the Perwaje debacle should serve as a cautionary tale for other mega-projects, such as the Bakun hydro-electric dam, Asia's biggest, in the jungles of east Malaysian Sarawak. Dr Mahathir, an ardent promoter of the project, says the dam will help act as catalyst to industrial growth, in much the same way as he described the Perwaja project a decade ago.

### Canberra oils the wheels of labour reform

PM's plans for the jobs market and wage system are stirring emotions, writes Nikki Tait

few days ago, the centre of Sydney reverberated to the sound of drums and protest chants. Several thousand trade unionists held a rally outside the prime minister's office - angry at impending industrial relations reforms and, in particular.

changes on the waterfront. Bystanders seemed unimpressed. One young office worker wondered what the fuss was about. Next to her, an older businessman muttered hitterty about union intransi-

The street emotions - anger. relief and indifference - are expected to surface again when Australia's new conservative federal government details its labour market reform tegislation later today.

There is no doubt the legislation is seen by the Liheral-National coalition as one of the main planks in its effort to lift Australia's economic performance. Mr John Howard, the new prime minister, has a long record of advocating labour market changes.

"Until our arthritic Indus-

reformed, our waterfront brought into the 20th century. the coastal shipping cartel removed and our transport infrastructure modernised, we cannot hope to be permanently competitive," he has said.

But the coalition's task is not without obstacles. The first problem is that former Labor governments also recognised the need for Australia to move away from its traditionally rigid, centralised wage-setting system if the country was to compete internationally.

As a result, over the past eight years. various pieces of federal legislation have been passed to encourage decentralised "enterprise agreements" in the hope that these would reward and reinforce local productivity improvements, In its efforts to win the blue-

collar "battler vote" during the recent election campaign, the conservative coalition packaged its reform proposals to took as inoffensive as possible. Rather than scrap the existing wage-setting structures, it called for a redefinition of the role of labour market institu-

Australia's labour disputes Working days lost through industrial action, per thousand employees

1967 69 71 73 75 77 79 51 83 85 87 89 91 93

slightly different system of could organise themselves as decentralised wage agree-

The broad outline of today's package is no secret. Basically. it centres on a new type of contract called an "Australian workplace agreement" (AWA). which management and employees could negotiate at

they wished - opting to be represented by a lawyer, a union, some form of professional grouping, or just act individually. There would be no obligation to move to an AWA; employees could stick with a centrally determined award if

they preferred. AWAs, however, would not

be subject any scrutiny by the Australian Industrial Relations Commission. The AIRC's role would be restricted to setting basic award rates and some minimum standards which the AWAs would have to meet. Any employee who felt hard

done by under the new system could talk to an employment advocate" and seek redress through the courts. in recent days, leaks have

also suggested that the legislation would largely remove any restrictions and conditions on part-time employment.

Already, concerns have been raised on all sides. The businesses community frets that all this may be too complex. One worry is possible proliferation of hargaining units and contract arrangements in a single workplace - which would be costly and cumbersome for an employer to manage.

Unions fear that the weakening of the AIRC's power, notably its ability to vet contracts, could make lower-paid employees vulnerable to unscrupulous employers. The move to more streamlined awards, Incorporating only minimum conditions, could also mean the ero sion of benefits such as paiz maternity leave.

The unions' problem is a relatively weak bargaining hand. Threats of all-out industrial warfare during the election campaign appeared to do its cause more harm than good.

While "downsizing" by the corporate sector is perhaps less marked than in some countries, the limited size of the jobs pool - the Austratian workforce numbers 8.3m - and an unemptoyment rate of almost 9 per cent have not encouraged all-out battles on points of priucipte.

For example, CRA, the mining company, met only limited resistance when it offered workers higher wage packets if they would ahandou their collective bargaining rights.

That said, the union movement can he expected to put up a fight. There has already been talk of High Court challenges, and attempt by employers to undercut workers' conditions will face a high-profile and vocal campaign that could be an important test of strength for both sides.

# Solicitor to stand for HK chief executive post

Mr Lo Tak-shing, a solicitor and a former member of the Hong Kong administration, yesterday declared his interest in the post of chief executive, sparking life into the contest for the top position in the territory after it is handed back to China next year.

One of several possible candidates. Mr Lo became the first to state his interest. Others,

By John Ridding in Hong Kong such as Mr Tung Chee-hwa, the shipping tycoon, and Mrs Anson Chan, the head of the territory's civil service, have remained guarded about their stance towards the joh.

In an interview in yesterday's Ming Pao, the Hong Kong daily, Mr Lo said he would make a final decision on his candidacy following the formation of a selection committee. This hody will nominate a chief executive designate who

would have to be appointed hy Beijing. The process is expected to he completed towards to he completed towards the most population.

the end of the year. Mr Lo, 61, has moved close to Beijing since hreaking with ness community, which is Britain in the mid-1980s. He seeking continuity and an claimed Britain should have granted passports to Hong Kong citizens.

Political commentators said It was difficult to determine Mr Lo's prospects for the post, not-ing that Mr C.H.Tung had been

lar choice within Hong Kong. winning support from the husleffective civil service.

Another candidate, is Mr C.Y.Leung, a husinessman who is closely linked to Beijing. Several Hong Kong newspapers have recently reported that Mr Tung has told China

he is not interested in the post present administration. favour of chief executive.

This might well be disinformation to support the chances of another candidate." said one diplomat. Should he not seek the post,

there would he potentially important implications for other senior officials. Many in official and husiness circles. helieving that Mrs Chan's chances of the top job are compromised by her position in the

a tandem solution, in which she would serve as chief secretary. The chances of this are seen as greatest if Mr Tung is

the chief executive. Mr Lo said he hoped an ideal candidate would emerge, in which case he would give up his plan. Denying that he had been actively lohhying support for himself, Mr Lo also rejected reports that he let Chinese leaders win games of mahjong.

ASIA-PACIFIC NEWS DIGEST

### **US** urged not to 'contain' China

The US would be wrong to swap its policy of military engagement with China for one of containment, according to Mr William Perry, the US secretary of defence. A policy of containment, as the US applied to the Soviet Union during the cold war, was "flawed in the practical sense", he said in a speech in Washington yesterday to the Pacific Basin economic conference which covered all aspects of Asian security.

modernisation, contributing to regional arms races and increasing the likelihood of military conflict in the region. Additionally, containment would "lead the US and China to close their markets to each other" and "provoke reflexive and intractable Chinese opposition to US-led security initiatives in

It would, he said, "push China to accelerate its defence

the UN and other multilateral hodies. Mr Perry's speech on US relations with China was the third hy a senior administration official in the last six days. following those delivered last Friday by Mr Warren Christopher, the secretary of state, and on Monday by President Bill Clinton himself.

Jurek Martin, Washington Seoul eases foreign controls

South Korea yesterday announced it would remove most controls on the entry of foreign firms into the domestic securities markets by 1998. The measures were sought by the Organisation for Economic Co-operation and Development. which Korea hopes to join by the end of the year. Foreign financial institutions will be allowed to acquire Korean securities houses, investment trust companies and investment advisory firms in friendly takeovers from December 1998. This will follow a rise in the current foreign shareholding ceiling in these Korean financial companies from 10 per cent to 49 per cent next January. The government has also eased procedures for the establishment of foreign brokerage houses in Korea. Representative offices may

be opened without formal approval after they are John Burton, Seoul

Indian vote moved forward india's new parliament will vote on Monday to decide whether the country's week old Bharatiya Janata party government will survive or fall, Mrs Sushma Swaraj, BJP minister, said yesterday. India's president had given the BJP until May 31 to prove its majority in the house, but Mrs Swaraj said the cahinet had decided to move the date forward. The United Front, the coalition of 17 regional, secular and "social justice" parties, has meanwhile tabled a vote of no confidence in the

Barring unexpected tast minute defections from other parties or widespread abstentions, the BJP looks set in lose the vote. The party and its allies command 194 seats in the 545-seat parliament, while the United Front claims the direct support of at least 170 MPs and is counting on both Congress and India's communist parties, which together have 181 MPs, to vote against the BJP. Mr Shankar Dayal Sharma, India's president, will nevertheless give the BJP's programme for government in an address to both houses of the Indian parliament tomorrow. Mark Nicholson, New Delhi

Burma detentions continue

Burma's milltary government continued to detain opposition leaders yesterday, bringing to more than 80 the number of those arrested ahead of a planned weekend congress of the opposition National League for Democracy. The wave of arrests, originally confined to provincial areas, was extended to the capital of Rangoon where 36 people, including Mr Win Hteln, personal secretary to NLD leader Ms Aung San Suu Kyi, were detained.

Most of those arrested were elected to parliament in 1990 elections wnn by the NLD hut disavowed by the military. On Sunday they plan to attend the most important NLD gathering since Ms Suu Kyi was reteased last year after spending nearly six years under house arrest. Ted Burdacke, Bangkok

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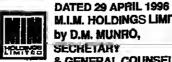
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Copies of the Terms of Sale containing full details of the issue together with the Entillement and Acceptanca Forms required to accept this offar will be available for collection from 6 May 1996 at the office of Kredtelbank S.A. Luxembourgeoise at 43. Boulevard Royal, L-2955. Luxembourg and (2) the office of kredietbank N.V. at Arenbergetraat 7, B-1010 Brueeels, upon entation of either Conversion Agent of one or more Conversion Bonds having attached election notices bearing the identification "Election Notice

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M.I.M. HOLDINGS LIMITED by D.M. MUNRO, SECHETARY & GENERAL COUNSEL

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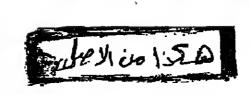
Holders of outstending Conversion Bonds are offered 63 shares in Highlands Gold Limited lor each Conversion Bond held, al an issue price payable in full on application of A\$0.65 for each share. Entillements to the Issue are non renounceable in respect of holders of Conversion

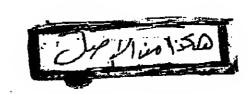
Copies of the Terms of Sale containing full details ol the issue logether with the Entitlement and Acceptance Forms required to accept this offer will be available for collection from 6 May 1996 at (1) the office of kredietbank S.A. Luxembourgeoise at 43. Boulevard Royal, L-2955, Luxembourg and (2) the Office of kredietbank N.V. at Arenbergstraet 7. B-1000 Brueeels, upon presentation to either Conversion Agent of one or more Conversion Bonds having attached election notices bearing the identification "Election Notice No. 3".

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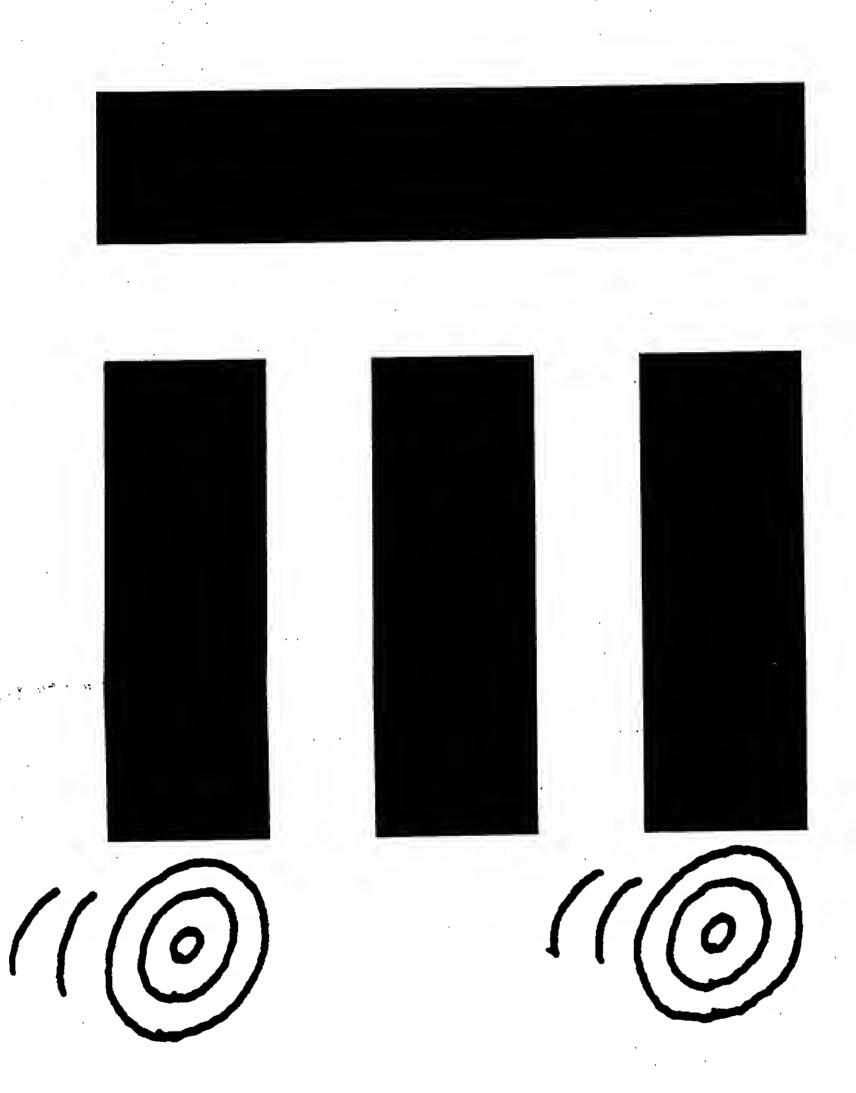




FINANCIAL TIMES THURSDAY MAY 23 1996

China

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III

FLACTOR

# Lloyd's Names in US allege 'dirty tricks'

By Ralph Atkins in London and Richard Waters in New York

Lloyd's of London faced fresh US beaoaches yesterday as accusations of "dirty tricks" flew over letters falsely cancelling meetings where US Names were to be given details of the insurance market's recovery plan.

The letters purported to be sent by the Association of Lloyd's Members, a body which supports the recovery plan. Ms Melinda Nordhaus, who planned the ALM meetings, expressed outrage at "this clear attempt to sabotage these important meetings" which would go ahead as planned. The

source of the letters remained unclear yesterday.

The accusations came as Lloyd's leaders stepped up efforts to win the support of US Names for the plan, which has to be implemented this summer or Lloyd's future will be in doubt. Names are individuals whose assets have traditionally supported

Mr John Stace, deputy chairman, was due to address a Names' meeting in Los Angeles yesterday and today in San Francisco

Separately, the US Postal Service, whose remit includes investigating allegations of mail fraud, said that it

had started an inquiry into Lloyd's. names seeking information about how The agency is believed to be studying whether Lloyd'a agents breached federal laws when recruiting US Names. The investigation follows action

from state-level securities regulators, which have accused the London insurance market of breaching local securities laws.

The Postal Service said its inquiry was undertaken at the request of the US attorney in New York, whose office had passed on complaints from individual Names, Lloyd's refused to comment on the review, except to say that it was aware that the agency had sent a questionnaire to some US

they were recruited. However, Lloyd's of London has won an early endorsement in the UK

for its recovery plan from a Names group which has agreed to adjourn legal action for compensation.

The Secretan Names' Association said an agreement had been reached with Lloyd's - under the anspices of the insurance market's recovery plan - which was likely to be recommended to its 1,100 members.

Secretan Names lost as a result of US asbestos and pollution-related insurance claims during the 1980s. Those being sued included the audit-

ing firm. Ernst & Young. Details of the deal bave not been disclosed but

more than one action group.

court settlement offer totalling £3.1bn (\$4.71). Names are often members of

Mr John McBride, chairman of the Names' association, said: "Why expose the Names to the hazards of litigation when the offer gives us all our costs and an appropriate proportion of the claim?" However, Mr McBride emphasised

that, while the offer to Secretan Names may be acceptable, it did not mean members of the association would necessarily back Lloyd's recovery plan, which includes an out-of-

Britain in Europe Germany's 'responsibility and respect for liberal values' praised in House of Lords

### Ministers accused of strong-arm tactics

By Neil Buckley in Strasbourg

Sharp criticism of the British government's stance on the "mad cow" crisis dominated proceedings at the European Parliament in Strasbourg yes-terday, with even British members joining the attack.

With 600 MEPs from all member states gathered in Strasbourg for a full session this week, a debate on farming prices saw speaker after speaker criticise both Mr John Major's threat to disrupt EU business and his government's handling of the crisis. Leaders of the main parliamentary groups joined in condemning

Britain's actions.

Mr Gijs de Vries, Dutch leader of the liberal group, the fourth-largest in parliament, said Mr Major's declaration was an "act of desperation",

"Having failed to convince a number of countries on the oasis of reasoned argument that the British government has taken effective action in alleviating the threat of BSE. the UK is now resorting to strong-arm tactics. This is a sign of weakness and will be

By Caroline Southey

Brussels reacted calmly

yesterday to the threat from Mr John Major, the British

prime minister, that the UK

government woold disrupt European business because of

the EU's failure to ease a ban

on British beef products,

pledging to continue working

for a resolution to the crisis

The EU Commission agreed

proposal nnder which

Britain would be forced to

impose tongh conditions on

the mannfacture of gelatine

and tallow as a precondition to

the ban being lifted on these

products. Semen would be

Abridged audited results

for the year and final dividend

included in the package.

(R million)

Investment Income

Cost of prospecting

Net earnings

Dividends

- final

Loans

cents per share

Listed - market value

Net asset value

cents per share

R million

DIVIDEND

Head Office:

44 Main Street

South Africa

Johannesburg 2001

Unlisted - directors' valuation

Surplus on realisation of investments

Grants - educational and welfare

Net income before taxation

Earnings per share - cents

earnings excluding surplus on realisation of

earnings including surplus on realisation of

Market and directors' valuations of in

Dividend No. 96 of 450 cents per share has been declared

payable on Friday, 5 July 1996 to shareholders registered at the close of business on Friday, 31 May 1996. The register of

members will be closed from Saturday, 1 June 1996 to Saturday, 8 June 1996. The full conditions relating to the dividend may be inspected at the Head Office and London Office

GIGICE

of the company and at the offices of its transfer secretaries.

interest earned

in Brussels

caused by BSE.



The Sun, the biggest selling daily newspaper in Britain, yesterday returned to the Second World War for an image with which to express its opposition to the EU ban on British heef

The proposal, which sets adding that "member states dn

air battle between the UK and Germany again. These atavistic appeals to national loyalty sbould be avoided." Mr Graham Watson, a Brit-

ish member of the centrist Lib-

down the same cooditions laid

down in a plan rejected by the

EU's standing veterinary com-

mittee ou Monday, will be put

to EU farm ministers at an

emergency meeting on June 3. In a further sign that the Commission wished to minim-

ise the potential damage of Mr Major's threat, EU officials

reported that Mr Major bad

telephoned Mr Jacques Santer,

president of the EU Commis-

sion, yesterday in a "good and

to "do a tour of European capl-

tals to try and convince

Britain's EU partners that you

are are on the right track to

restoring consumer confidence in beef," the EU official said,

31.3.96 31.3.95

53

528

(7)

488 16

472

1,077

1.955

263

450

9,650

307

9,985

28

10,143 7,922

London Office:

19 Charterhouse Street London EC1N 6QP

42,004 32,806

599

(7)

559

548

1.412

2.269

338

7,488

7,592

77

27

Mr Santer pressed Mr Major

constructive atmosphere".

"We are not fighting the 1940 eral Democrat party, said the attempt to "railroad" other European countries into lifting the ban was doomed to failure. and would do nothing to restore public confidence in

not believe Britain is doing

enough for them to face their consumers and say the prod-

Mr Franz Fischler, EU Com-

missioner for agriculture, said

that once the measures out-

lined in the proposal were put

in place "the Commission

would no longer consider it necessary to maintain the

export ban on these products

as well as semen". He called for a "scientific

ratber than a political

approach" to the problem.

Implicitly criticising Mr Major, be said: "Any attempt

to politicise the export ban as

has been bappening in recent

times does not serve in any

way either to allay consumer's

fears or to expedite the easing

parts of agriculture policy,

three possible scenarios flow

from the Commission's deci-

slon yesterday. The first is

that the proposal is approved

by the farm ministers. The sec-

ond is that if a qualified majority cannot be found in

the council to support the pro-posal, responsibility for imple-

menting the plan falls to Mr

Fischler. A third possibility is

that at least eight countries vote against the proposal, at which point the plan dies.

But EU officials remained

adamant that the Commission

would "work through the pro-cedures" to try and find a solution. Mr Fischler said he

felt it was "important for the

next council of ministers meet-

ing to take the necessary deci-

sion based on scientific know-

Under EU rules governing

of the ban."

ucts are safe".

Labour party minister and noe-time president of the Eurounder a Frenchman's nose but you can't make him eat it," be Mrs Pauline Green, Britisb leader of the dominant socialist group, said the UK government's action was "absolutely absurd" and a "politically

> saddened as it will cause great damage to Britain." British conservative MEPs were careful not to criticise their Westminster counterparts, but said it was their role

motivated political crisis. I am

Germany might have expected a roasting in Westminster in

the week that It has been

painted as the chief villain of

the European Union's reinc-tance to start dismantling its

curbs on British heef. How-

ever, a series of elder states-

men in the unelected upper House of the British Parlia-

ment took considerable pains to praise what Lord Jenkins of Hillbead called "consistently

the best governed country in

Lord Jenkins, a former

the western world".

position to our colleagues across Europe". They bave been pressing - so far unsuccessfully - for Mr Douglas Hogg, the British agriculture minister, to visit the Parliameot to explain Britain's

pean Commission, said: "The

post-war German government

difficult government with

which to get nn - it has a unique record of international

responsibility, economic snc-

cess and respect for liberal val-

ues and the snpremacy of the

former Tory cabinet minister.

concluded his ontline of a

Europe of nation states with

the firm reminder that "good

British-German relations must

depend on positive efforts on

Lord Campbell of Croy, a

rule of law."

both sides'

not a particularly

stance. Mr Willi Görlach, president of the German socialist group, said Mr Major's move was "very dangerous for Euro-politics". He warned that an "empty seat" policy would not have the effect it had in the era

### Brussels plays down PM's London tells its threat to disrupt business diplomats to use the tactic of delay

By Bruce Clark in Brussels

The official said Mr Major Britain served notice that bad conceded that the Com-"co-operation will be impaired" across a range of European Union activities - but kept its mission had supported efforts to bave the ban on the three products lifted. "He said the European Union partners problem was in the veterinary guessing yesterday over how committee, not the Commisfar it would go.

In a carefully calibrated posttion, British representatives in Brussels told their counterparts that they themselves would still participate actively in meetings of EU diplomats but nothing they said would bind the band of UK ministers.

This will slow down EU business in areas ranging from the internal market to scientific research, as well as the longerterm discussions on the EU's future. Normally the work of EU ministerial meetings. where all important decisions are taken, is greatly speeded because decisions are "pre-cooked" by diplomats and then passed on the nod.

But the effects of the new delaying tactic were already felt yesterday morning when British diptomats said they were reserving their position on a Customs regulation and a research programme into

nuclear energy.

Diplomats from other EU countries said it was fortunate no big decisions requiring unanimity were pending - and they doubted whether Britain could maintain its stand without damaging its own ability to speak on issues close to its beart

However Britain was apparently participating as vigoras ever at a diplomats' meeting last night where some sensitive issues in transatlantic relations were under discussion. The diplomats were considering whether or not a document on the state of EU-US economic relations,

which must be agreed by Washington and Brussels, should mention the bitter dispute caused by proposed US sanctions on companies dealing with Cuba.

Britain has argued - and it will apparently continue to argue - that it would be better not to mention the dispute at all than agree a formula that bas been watered down at Washington's insistence. At a ministerial meeting

today on measures to protect the EU population in the event of disasters or emergencies, London will harden its already trenchant Objections to the involvement of the European Commission in this area. This meeting would in normal times have passed by virtually unnoticed. Today, however, Britain will make a point by bowing out from any effort to finesse the differences between itself and most other EU countries.

A separate meeting of senior diplomats today is expected to consider whether the Commission should be given greater powers to combat fraud. This will put Britain in an awkward position because it bas been among the strongest advocates of greater efforts to crack down on fraud.

The UK has also served notice within the inter-governmental conference on EU reform that it will not sign up to any new documents mapping out the Union's future. It has also made clear that that it would bar unconditionally any effort by the European Parliament to become more involved in the

However, diplomats from other EU countries were sceptical about whether the British stance would make any

#### State aid for Irish Steel to be challenged

By Stefan Wagstyl, Industrial Editor

British Steel, the UK steelmaker, is to sue the European Commission over its decision late last year to approve state subsidies for Irish Steel. ireland's only steel company. British Steel's move comes at

a difficult time in UK-EU relations, with tempers running high over the row about the "mad cow" crisis.

The commission approved the Irish government's plans to inject 1938m (857,9m) into stateowned Irish Steel only after the UK government dropped its opposition for fear of upsetting the Northern Ireland peace process. But while the UK government relented, British Steel did not and last December it started assembling a legal case against Brussels.

Yesterday, the company said it was planning to file a com-plaint, possibly in the next few days, at the European Court of Justice. British Steel wants the aid be declared illegal and repaid to the Iriso government. Hoogovens, the Dutch steelmaker, and the German Steel Federation are expected to file sim-

ilar claims.
The Irish Ministry of Enterorise and Employment said last night that it was satisfied that the grounds on which the aid had been granted were sound and would stand up in court. "I am absolutely confident," said a senior official. A European commission official said companies were welcome to exercise their right to challenge decisions in the

courts. The legal action, which could take between two and three years to complete, will not stop the aid being paid. The Irish government is due to sign a contract in the next few days with Ispat International. the London-based international steel company, which is buying Irisb Steel and will use the aid to modernise the plant and increase output from its 1994-95 level of 258,000 tonnes to 320,000 tonnes.

British Steel is engaged in a long-standing battle with the Commission over state aid for Europe's ageing and inefficient steel plants. Although member states agreed to end most forms of subsidy as long ago as 1985, payments have cootinued, notably Ecu7bn (\$8.68bn) approved in 1993, mainly for Ilva of Italy and Spain's CSL British Steel has appealed against these grants and a decision is expected later this

British Steel is especially incensed by the lrish case because it involves an increase in output, whereas the previous grants were made on condition of production cuts. Under EU rules, subsidies are permitted only for research, for anti-pollution measures and for easing the impact of redundan-

The Commission accepts that the Irish decision was exceptional. But it argues that strict output and sales limits on Irish Steel will limit the impact on other producers.

UK NEWS DIGEST

### Big insurance payout cleared

A ruling yesterday by the House of Lords, the upper House of Parliament, paved the way for the payment of an estimated 23bn (\$4.6bn) in insurance claims frozen pending resolution of a dispute which could have hit many insurers' finances. Tue Lords upheld an earlier court ruling which said insurance companies could collect on their reinsurance policies - taken out to protect against big losses - before paying the claims of

their own policyholders. The issue was important because, if earlier judgments bad been reversed, insolvent insurers and reinsurers could have faced substantial difficulties collecting on reinsurance policies. It would have affected the solvency of insurance companies which rely beavily on reinsurance. Mr Philip Singer, insurance insolvency expert at Coopers & Lybrand, the accountants, said yesterday's ruling prevented reinsurance compa-nies receiving an "undeserved windfall". Most reinsurers are likely to have set reserves on the assumption that previous rulings would not be overturned and Mr Singer said it would have been the "height of carelessness" to bave assumed other-

But the Lords' interpretation of widely used clauses in "excess of loss' reinsurance contracts will end uncertainty over the issue. The expected flood of claims might cause cashflow beadaches for some companies. The net impact on Lloyd's of London, which is both a reinsurer and creditor of failed insurance and reinsurance companies, is likely to be negligible. The Lords ruling was on a test case concerning Charter Re, which underwrote reinsurance policies in the London insurance market between 1986 and 1993.

Ralph Atkins, Insurance Correspondent

#### BZW reassesses nuclear sale

BZW, the government's advisers on the privatisation of British Energy, believes the nuclear utility could be sold for between 52.25bn (\$3.42bn) and \$2.5bo. This is slightly less than the £2.4bn to £2.8bn which BZW indicated earlier this year, but the method of calculation is different. Mr Daniel Martin, BZW's utility analyst, says in an updated report that the higher figure was justified by British Energy's strong cashflow projec-tions. But be believes the market will require a yield premium on the stock because of its unfamiliarity with nuclear power,

and this would depress the sale price. Yesterday's report calculates that British Energy's "correct" yield is between 6 per cent and 7.4 per cent, but it estimates that the market will demand 7 per cent to 8 per cent. Other analysts bave suggested that British Energy's sale price could be cut sharply because of fears of a fall in the electricity price. But BZW's report plays down these risks, BZW estimates that a fall in the price how 2750m.

David Lascelles, Resources Editor a fall in the price from its current level of 2.4p to 2p would

#### Party's finances recover

The governing Conservative party's finances are back in the black after more than a decade in which the organisation has maintained a large overdraft. Fund raisers have managed to turn the £19m (\$28.9m) deficit which the party had after the 1992 general election into a small, but positive, bank balance several months ahead of schedule.

Senior party figures are firmly resisting calls from toe opposition Labour and Liberal Democrat parties for the Conservatives to list their main benefactors. But the speed at which the party has managed to clear its overdraft will again raise questions at Westminster about the party's finances. Earlier this week Mr Brian Mawhinney, party chairman, launched an investigation into allegations that businessmen of Yugoslav origin bad given the party more than £100,000 between 1992 and 1994 when British troops were deployed in between 1992 and 1994 word peacekeeping duties in the region.

William Lewis and James Blitz

#### **Rolls-Royce investment**

Rolls Royce, the UK aero-engine maker, is to invest £23m (\$34.9m) at its Hillington plant near Glasgow in Scotland. The investment will be made over four years in installing the latest machinery for manufacturing compressor blades and seals for Rolls-Royce gas turbine engines. The Hillington plant will be able to produce compressor blades for advanced engines such as the Trent 895, the BMW Rolls-Royce BR715 and the Allison AE3007. The Rolls-Royce aero-engine company is no longer connected to the Rolls-Royce car company, which is now an offshoot of Vickers. James Buxton, Edinburgh

#### Ministers meet on Ireland

The British and Irish governments met last night in an attempt to settle on a formula for next month's all-party talks on Northero Ireland, with differences apparently continuing over a role for former US Senator George Mitchell, who beaded the international commission on the Irish peace process.

Delegations headed by Sir Patrick Mayhew, Northern Ireland secretary in the British government, and Mr Dick Spring, the Irisb deputy prime minister, spent more than four



Britisb cabinet minister Sir Patrick Maybew (left) and Irisb deputy premier Dick Spring in London yesterday hours in London on the agenda for next month's negotiations. Both sides were also discussing prospects for an Irish Republican Army ceasefire amid confusing signals from Sinn Fein, the IRA's political wing. Ministers are understood to have prepared several contingency plans in the event of the talks beginning without Sinn Fein participation, which is conditional on an unequivocal declaration of an end to IRA vio-John Kampfner, Westminster

### Industry chief deplores talk about quitting EU tionships would be very social chapter but its possible • Unison, Britain's biggest

By Stefan Wagstyl, Industrial Editor

Sir Colin Marshall, who took over yesterday as president of the Confederation of British Industry, Britain's largest employers' lobby, has one word at the top of his agenda -Europe.

Like bis predecessor, Sir Bryan Nicholson, he is concerned about the way that the debate over European monetary union and over the "mad cow" scare has affected the UK's relations with the European Union. He is determined to counter the upsurge of anti-European feeling on the rightwing of the governing Conser-

vative party. He supported Sir Bryan's

The CBI yesterday threw its support firmly behind the prime minister's effort to solve the BSE crisis by refusing to co-operate in EU business until the matter is settled. Stefan Wagstyl writes.

Senior officials drew a distinction between the CBI's attacks on Eurosceptics and its reaction to the BSE affair. They denied there was any

increasingly outspoken attacks on the Eurosceptics, which cul-minated on Tuesday in a speech to the CBT's annual dinner in which he condemned those who called for Britain's withdrawal from the EU as "a plague of locusts".
"It would be foolhardy for

connection between Mr John Major's efforts and the demands of those who wished to see the UK pull ont of the EU. Sir Bryan Nicholson, the CBI's retiring president, said: All clubs have spats. Other member states have had them. These things happen. The assertion of national interest is perfectly legitimate within the club."

this country to contemplate removing itself from the EU." said Sir Colin. "It's easy to say, Look at the growing markets in east Asia and in America and in the Commonwealth'. But we have to be realistic. unwise.

Sir Colin, who was formerly chief executive of British Airways, plans to redouble the CBI's recent efforts to promote husiness's pro-European views. starting with the launch next month of a Business in Europe campalgn. This is aimed at encouraging informed discussion about monetary union and other issues - trying to raise what the CBI sees as a very

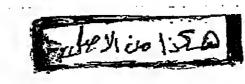
low level of debate in the UK. Sir Colin insists that Britain's attitude to the EU should not be uncritical. He supports the UK's decision to opt out of the EU's social chapter. The problem, says Sir Europe is our backyard. To Colin, is not so much what is continue with these macroeco-risk our European trading rela- currently contained in the nomic policies.

extension in the future to, for trade union, is likely to come example, minimum wage rules. sible entry into the European monetary union. Like the government, he believes the question should be decided in the

entry. Like Sir Bryan before him, Sir Colin treads a careful line in commenting on politics. However, be says the government's has created a stable climate of low inflation and low interest rates. The most important job for the new government, of whatever party, is to

out against a single European He also backs the government position on the UK a posmonth, our Labour Editor writes. That will raise the prospect of serious union opposition to the Labour party's growing sympathy for Euro light of the economic condipean Monetary Union. tions at the time of proposed

Unison, which has 1.4 members in the public sector, is expected to oppose a European single currency unless the convergence criteria laid down in the Maastricht treaty are relaxed. Officials of the Trades Union Congress fear that, if hostilke resolutions are passed at the Unison conference, other unions may follow sult and undermine the TUC's current pro-Emu strategy.



FINANCIAL TIMES THURSDAY MAY 23 1996 \*

new name

Lucent Technologies

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in

# Grease busters

ithin the beakers and incubators at the Brookhaven National Laboratory in Long Island, New York, there teems a small zoo of single-minded micro-

They have been developed to address one of the more prosaic consequences of western consumers' appetite for french fries, hamburgers and rich desserts. These microbes eat kitchen grease enthusiastically.

Kitchen grease is a hig problem. Millions of pounds of it is produced by restaurants, meat rendering plants, fast-food outlets and innnmerable domestic kitchens. It clogs pipes, overtaxes municipal water treatment plants and ends up in

landfills. For years, scientists bave been investigating the use of biological agents for oil refining. They have also been seeking ways to manage the heavy-metal sludge that results

from geothermal power production.

This led to the identification of a number of extremeophilic microbes microscopic life-forms that thrive in extreme environments. They were seen as a potentially efficient and cost-effective solution to the expensive, hidden and growing problem of grease removal and dis-

ne of the most unpleasant,

dangerous and expensive-to-

treat conditions - bone frac-

tures that result from osteoporosis

could be brought under control by

a newly launched drug. This is the implication of the first

large-scale clinical trials designed to

test whether Fosamax, a drug made

by US company Merck, prevents

fractures. Previous tests measured

bone density, and older drugs have

not shown a link between increased

bone density and fracture preven-

Announcing the trial results in

Amsterdam yesterday as "exciting

and significant", researchers sald

women with a previous spinal frac-

ture had a 51 per cent lower risk of

hip breaks and a 46 per cent lower

risk of new spinal fracture if they

The three-year study looked at

took the drug.

In conjunction with Environmental Solutions, a private Long Island ecterprise. Brookhaven's scientists researched the life-cycle of the bacteria to develop this example of living technology and to help optimise the particular bacterial strains

As one consequence, on Earth Day, April 22, biochemists at Brookhaven poured a batch of the specialised microbes down a kitchen drain in the laboratory's cafeteria.

They are not unleashing dangerous mutant life-forms. It has been known for more than 100 years that micro-organisms are capable of degrading organic pollutants in waste streams.

Over the past 50 years, under-standing of these microbial species, and the benefits of their biochemistry in the environmental cycle, has grown significantly. That under-standing has resulted in the successful use of these biological processes in the targeted treatment of domestic sewage and some industrial wastes.

The strains going into the drain at Brookhaven are blends of naturally occurring, non-pathogenic species commonly found in soil samples. In this case, they are the product of a proprietary medium in a portable bioreactor that germinates and grows a highly concen-



WHY WOULD I WANT TO BUY MICROBES THAT

trated blend of live, active, acclimatised and naturally occurring saprophytic (grease-eating) bacteria.

DOWER BETWE

Once in the plumbing system, the microbes live and multiply as long as their hyproducts are removed, and grease, their food, is introduced. They are effective for about two to three weeks,

Depending on the type of oil or grease being processed, each microbe can process several bundred times its own body-weight. A millilitre of 100m microhes can digest many kilograms of grease in

The blends of up to 14 types of bacteria produce large quantities of zic.

enzymes that work outside the bacterial cells. The enzymatic biochemical action reduces the accumulated grease and detergents into a milky, water-soluble end-product of fattyacids and fatty-alcohols. The acids and alcohols are less gummy, flow much more easily in water, are easily pumpable and can be disposed of in an environmentally acceptable way at conventional water treatment plants.

The process currently requires the installation of a dispensing method and the periodic attention of a technician. But Eugene Premuzic, a biochemist in Brookhaven's department of applied science. expects that an off-the-shelf version may be available for the ordinary home kitchen within three years".

The grease-eating microbial biocatalyst blends are patented and the process and methods are proprietary and licensable. Research continues into the use of some hightemperature tolerant organisms to refine low-grade oils by lowering the concentration of sulpbur, nitrogen and heavy metals found in heavy crude oils. Conventional refinement processes could then be applied economically.

The technology is also being investigated as a solution for the silica, arsenic, chromium, mercury and lead that are the byproducts of efforts to produce electrical power from geothermal steam. These met als are precipitated out of the earth as steam as it cools after reaching the surface.

"In terms of applications of the properties elaborated by some of these extremeophilic bacteria, this is certainly a new avenue for hiochemical technology - a combination of biochemical mechanisms and chemistry proper," says Premu-

Edward Scolnick, president of

Merck Research Laboratories, says

the drug is likely to be used hoth

alone and with hormone replace-ment therapy. Most women take HRT for a limited time because of

the side-effects, he says, adding that

Fosamax had few enough side-ef-

fects for it to be taken indefinitely.

prevent decreases in bone density,

avoiding the need to visit a doctor

for bone density measurements. In

addition, Fosamax rebuilt bone that

had been lost much faster than did

The second part of the study,

known as the Fracture Intervention

Trial, is following a further 4,000

patients with osteoporosis but who had not yet had a fracture. It is

expected to yield results early next

That would allow it to be used to

rising to \$1bn a year.

HRT, said Scolnick.

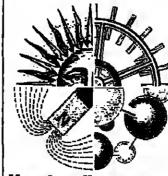
#### World's biggest

Philips Research has designed what it believes to be the largest single integrated circuit in the world - a solid state image sensor that measures 86mm by 110mm and contains more than 66m

Philips huilt the device, which will be used in professional astronomy, by piecing together blocks of sensors containing 1024 x 1024 pixels. Its size was merely imited by the size of the wafer.

echnique allows different sensors to be made using the same masks, That could significantly cut down the development time and costs of sensors containing between 1 and

#### Worth Watching · Vanessa Houlder



#### Vaccine discovery for meningitis

A team of Canadian scientists announced this week that they had come up with a vaccine to fight bacterial meningitis, responsible for about half of all meningitis cases, writes Victoria

The researchers bope the vaccine will become the first to be approved by the Food & Drug Administration to fight the disease. The scientists plan to develop the products with IAF BioVac, a subsidiary of the Canadian blotechnology group BloChem Pharma. According to the scientists, experiments showed the vaccine to be 80 per cent effective in preventing the disease in mice.

The vaccine, based on a monoclonal antibody, would be effective on all strains of bacterial meningitis, since it works by binding to a protein common to all forms. Most fatalities occur in children, and the Laval scientists oresee infant vaccinations as their primary market. Laval University Hospital:

Canada, tel 4186507236; fax 4186561199.

#### integrated circuit

This modular production

66m pixels. Philips Research: The Netherlands, tel 402742204; fax 402744947.

#### Paint removal by laser

Removing rust or old paint from a surface tends to be a messy. laborious task. But the Fraunhofer Institute for Laser Technology in Aachen has developed a system that removes certain coatings more effectively than existing chemical, heat and mechanical processes.

The system uses a solid-state laser with a focused beam that vaporises the coating. The residues are then transported to a filter chamber by a built-in suction device. The laser is attached to a fibre optic cable that is up to 100m long, so that it can be easily moved. Fraunhofer Institute for Laser Technology: Germany, tel 2418906194; fax 2418906121

#### TB under ultraviolet spotlight

The resurgence of tuberculosis across the world has been exacerbated by the drug resistance of some strains of the TB bacteria. US researchers are now investigating the use of ultraviolet lamps as an alternative means of destroying the TR bacteria.

The California-based Electric Power Research Institute is planning a controlled study into the effectiveness of UV lamps in shelters for bomeless people, where the disease is often transmitted, EPRI is also planning tests in Africa, which has been particularly badly hit by the tuberculosis epidemic. Electric Power Research Institute: US. tel 415 8552000; fax 4158552041.

#### An end to a knotty problem

Anyone incompetent at tying knots in bailoons need struggle no more, Self Sealing Systems, a balloon equipment manufacturer, has developed a method of processing balloons so that they seal themselves.

<u>;</u> ;;.

<u>-:</u>.

A chemical treatment of the neck of the balloon makes the latex adhesive, so that it sticks to ltself when pressure is applied. Self Sealing Systems: UK, tel (0)171 629 0098; fax (0)171 629 0420.

### Osteoporosis drug in fracture fight

**Daniel Green** reports on the results of a new trial

the fortunes of 2,027 women aged between 55 and 80 with previous spinal fractures. Osteoporosis is a condition that is closely liked with women who have passed meno-

"This is the first study to show a reduction in hip fractures in a general population of post-menopausal women with osteoporosis," says Dennis Black, epidemiology profes-sor at the University of California

at San Francisco. He says there had been estimates of the cost of hip fractures in the US alone of \$10bn (£6.5bn) a year.

Black adds that the trial has been so successful that independent monitors ended it early to allow those taking the placebo, or dummy drug,

to be given Fosamax.

The drug has already been approved in 30 countries and Merck has now asked the US Food and

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tial approval as a treatment. Analysts say the prevention indication is key to expanding Fosamax sales. analyst at Lehman Brothers, the stockbroker, in London, says: "We expect the market for this type of drug to expand dramatically." She forecasts sales of Fosamax

to sell Fosamax for the prevention of osteoporosis as opposed to its ini-Jo Walton, pharmaceuticals

Drug Administration for approval

# Taking stock of this year's investor relations success stories

1996 UK Investor Relations Magazine Awards in association with the FINANCIAL TIMES

Wednesday 26 June 1996, The London Hilton on Park Lane

Investor Relations magazine has commissioned an independent in-depth survey of fund managers and analysts to rank this year's top performing investor relations departments across a wide array of key IR disciplines.

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\*ISIR XS0030650229 Redemption Date: June 24, 1996 Conversion Privilege Expires: June 24, 1998

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Conversion Privilege

The Debentures are convertible into shares of Common Stock of the Company. The right to convert Debentures called for Redemption will terminate at the close of business on the Redemption Date. If the Conversion Privilege is exercised, the holder of a Debenture will receive the number of shares of Common Stock of the Company that results from dividing the principal amount of the Debentures to be converted by the purpose of \$55.00 overshow. current conversion price of \$56.00 per share. No fractions of shares will be issued on conversion; instead of any fractional shares the Company shall pay a cash adjustment calculated to the nearest 1/100th of a share by multiplying the closing market price per share for the Common Stock on the date of conversion by such fraction. Payment of interest accrued to the date of conversion on the Debentures surrendered for conversion shall be made upon conversion.

In order to exercise the conversion privilege, the Holder of any Debenture to be converted shall surrender such Debenture, together with all unmatured coupons, to the office of any Conversion Agent, accompanied by a duly signed conversion notice as specified on the

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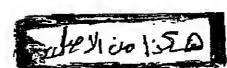
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*P*Market-Eye







ith dazzling timing Mike Leigh's Secrets And Lies jets from Cannes to Britain this week, pausing only at customs to declare one Golden Palm, one International Critics Prize and one Best Actress award. A playwright-filmmaker often thought British to a fault has now been pronounced British to a virtue. Foreigners have gone mad for a comedy in which everyone is a foreigner (to each other) and where Anglo-Saxon dysfunctionalism finds its master artist.

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Leigh has sneaked a human universality, an esperanto of beatific bewilderment, into his plot about a white working-class unmarried mother (Brends Blethyn) who learns that the baby girl she surrendered for adoption years before is now successful, middle-income and black.

This human earthquake is sur-rounded by affiliated tremors. Since we are in a Mike Leigh film the entire extended family demands screen time. Painted in shades of farcical despair, they are Cynthia's grumpy second danghter (Claire Rushbrook, white) who roadsweeps for the council, Cynthia's semi-es-tranged brother who is a wedding and portrait photographer (Timothy Spall) and his wife (Phyllis Logan), whose taste for social climbing is turning Bermondsey into a suburban Annapurna.

While Spall and Logan try to bet-ter themselves - gilt fittings or laux marble in every bathroom - Ble-hyn's house is a dingy hermit's hovel decorated in Early Pinter. It is also riven with paranoia. Every mother-daughter conversation is a row. Every potential son-in-law is pronounced weird ("Shifty bloke. Walks like a crab"). And every telephone call from a stranger threat-ens disaster. When black Hortense (Marianne Jean-Baptiste) not only calls but calls in - amicably waving the adoption papers - Cynthia goes into crisis.

No wonder Brenda Blethyn won the Best Actress award. God designed her face for a Mike Leigh film. The incandescent hazel eyes are made for hysteria, the mouth is an intense and quivery slit, and she does much of her acting with the expressive ski-line between centre

nose and upper lip. Not that "acting" suffices as a description. Blethyn simmers, sniffles and boils over, helped by what seems a permanent head cold. Going into tearful overdrive at each opportunity, she squeaks out her arias of incomprehension. "Oh no, darlin'," she protests to Hortense and the waved paperwork, "that's someone 'avin' a joke, that is!"

Conspiracy is all around. Roxanne's face is sewn into a distrustful scowl. Logan blames her childlessness on God, the cosmos and the poor decorating taste of the neighbours. And even the bearded Spall, resembling a mild-mannered hedgehog, sees the workings of persecution mania or picturesque mishap in his daily photographic work. The married couple who bicker just before composing their faces for the say cheese smile; or the disfigured beauty consultant anxiously turning her intact profile to the lens.

> Glyndebourne, the revival of Trevor Num's

> 1991 production of Così fan

tutte lacks lustre. Maria

Bjornson's elaborate cruise-liner settings look good on the larger

new stage and the accomplished

sextet of principals are an attractive

crew; but the best things remain

unmoored to any wider dramatic

action - or to any longer musical

A test of any Cosi conductor is its

pair of scene-long finales, especially

that of Act L Each of them is a

marvel of accumulative impetus

and invention, contriving to forge a

string of contrasted numbers into a

continuous, almost "symphonic" chain, in Welser-Most's hands there

was no perceptible chain at all -

just one number after another, often separated by long pauses (he

span. I blame Franz Welser-Möst.



Esperanto of beatific bewilderment: Timothy Spall and Brenda Blethyn in Mike Leigh's award-winning 'Secrets and Lies'

Cinema/Nigel Andrews

# Master of dysfunctionalism

The film is troubled by a few twinges of Great Statement Syndrome. The two characters who "see through" the lies and secrets need not have had quite such symbolic jobs: he a photographer, she an optometrist. And at the climactic family party the themes and tensions are bullied into an over-hasty resolution, complete with a here comes-the-message speech about failed family communication by Spall. But hy then we are in love with the characters and with whatever they do. And who will com-plain about a film that seems too

Primal Fear also flies by. Indeed the stewardesses have scarcely had time to serve drinks before we are entering first turbulence: the murder of a Chicago archbishop by (it seems) an altar boy, Minutes later we are in high blue beaven with the first of a dozen courtroom scenes. And before we have had enough of thet, the key witness is signalling climax time by physically attacking the key lawyer right there in front of Judge Alfre Woodward.

hasty at two hours and 20 minutes?

This is one of those trials where M'lud, or in this case M'lady, raps "Counsel will approach the bench"

favoured dank pauses among the

recitatives, too). The great Act 1 finale lost most; dragged out and

broken up like this, no amount of

comic visual business could keep it

Most of the ensemble set-pieces were well polished, to the point of

suppressing individual character,

hut in the rest of the score there

were continual lapses of rapport

between Welser-Möst and his sing-ers. The romantic sisters survived

best: the young Norwegian soprano

Solveig Kringelborn's bright, full-

voiced Fiordiligi rose to a com-

manding "Per pieta", and the Amer-

SECRETS AND LIES Mike Leigh

> PRIMAL FEAR Gregory Hoblit

**ANGUS** Patrick Read Johnson

MUPPET TREASURE ISLAND Brian Henson

> **UNE FEMME** FRANÇAISE Regis Wargnier

so often that it might be best to install a travelator. Defence lawyer Richard Gere is a wheeler-dealer developing a conscience, so he uses every trick to spring his client (Edward Norton) to freedom. We cannot give away the denouement except to say that the works of R.D.

Opera/David Murray

Così comes a cropper

ican Susan Graham's tall, nervy Dorabella – not the usual cuddly flibbertigibbet at all – was always

interesting. Their own dramatic

Mark Ainsley's hyper-chaste Fer-rando and Simon Keenlyside's

promising but oddly backward Gug-

lielmo, whose hitter eruption in the

"wedding" quartet would have gone

unnoticed without the supertities to

tell us what he was saying. In

'Albanian" guise their quaint east-

Mediterranean hats, sunglasses and

mustachios made them blank ste-reotypes, stripped of any subtler

Not so with their swains, John

rapport developed charmingly.

legal world bon mot by Steve Shagan and Ann Biderman from William Diehl's novel.

For younger viewers, Angus and Muppet Treasure Island both have charms. The first is a comedy about a kilogrammatically challenged high school boy (Charlie Talbert) whose corpulence causes girls to shun and bullies to victimise him. Can he triumph on the football field? Can be then go the school prom with the nymph of his

This being Hollywood, the answers are predictable. But the questions are agreeably put and newcomer Talbert is joined by Kathy Bates and George C. Scott, leaving no scenery unchewed as Ma and Grandna.

Kermit is Captain Smollett, Miss Piggy is Benjamina Guno and Tim Curry is Long John Silver in Mup-pet Treasure Island. The gold takes a while coming in this fitful romp, which earned the londest press show giggle for the credit "based on the novel by Robert Louis Steven-

comic potential - as far as Michael

McCarthy's revival of Nunn's pro-

began to fade early; too many

sion, he was emitting a faint, blood-

less line over Welser-Most's slow,

creaky accompaniment. (The LPO

strings were very uncomfortable at

that tempo.) For the cynical philoso-

pher Don Alfonso, Jake Gardner's

tight, middle-weight barltone

needed more bass substance to

ground the ensembles properly.

duction took them, at any rate.

right up to the pièce de resistance: a Kermit-Piggy love duet sung with both creatures hanging npside down over a cliff for reasons we cannot pause here to explain,

The Muppets might have saved -no one seems able to - the risibly novelettish *Une Femme Française*. Rermit in a kepi would have been admirable as the distraught hushand, here essayed by Daniel Auteuil, whose beautiful man-hungry wife Emmanuelle Béart (or in our fantasies Miss Piggy) betrays him every time he goes off to war. And does he go off to war. The second world war, Indochina, Middle East, Algeria. The poor man has scarcely re-polished his buttons

before La Béart is out of the door in violent lipstick and red slit dresses. She hails passing males as other people hail taxis. The only difference is that she bores them with her life story and obsessions.

It all ends in rage, tears and violent mid-Atlantic subtitles. Writerdirector Regis Wargnier's previous film Indochine was notably trite. But here there is not even the scen-

Laing might be a clue. But we can son". RLS can scarcely have envisery and Catherine Deneuve: just the education no more than drill in say that the film purs along like aged a Hispaniola captained by a concorde, as directed by Gregory Hoblit and written with many a glove puppets. It passes pleasantly, solved in scene one.

Lillian Watson has been repeating her shrewd, sprightly Despina for many years now. Its fetching gloss seems to have dulled into rontine; worse when she masquerades as the Notary who "marries" the wrong lovers. In context, Mozart's music for "his" brief appearance is quir-kily inspired, from the poignant Ainsley's justly admired voice harmonies thet unexpectedly colour his first lines to his sublimely mindengagements, perhaps? By "Tradito, schernito", Ferrando's pent-up explosion of betrayal and disillnless legal repetitions later, which drive the orchestra to finger-drumming and then to evasive fautasies. That is a little miracle of characterisation, and it was borrid to hear the Notary's part in it sung deliberately off-pitch for raw comic effect.

> Revival sponsored by Associated Newspapers; in repertory until July 9 (performances after mid-June iducted by David Parry).

#### Theatre/Sarah Hemming

### The 'Phaedra' myth updated

nyone who saw Sarah Kane's Blasted at the Royal Court last year will not approach Phoedra's dra-Hippolytus myth, expecting poetry, subtlety and restraint. (Blasted was the atrocity-packed play that drove detractors to decry it as "filth" and supporters to com-pare it with Bond's Saved). And Kane certainly does not disappoint expectations. This time her visceral drama ends in a bloodbath involving rape and castration, with hleed-ing body parts being chucked over the audience's heads, while the themes that preoccupied her in Blasted - the violence, hypocrisy and apathy of the modern age come seething back, strapped on to

the classic myth.

Kane takes the bare bones of the tragedy and with just a glance at Seneca and Euripides, recasts it as a desolate, grim, yet paradoxically entertaining tale for the late-20th century. Phaedra's illicit love for her chaste stepson Hippolytus is enacted in a modern - though nonspecific - royal family. Here Phaedra and Hippolytus need no help from fate or the gods to be doomed: their tragic mismatch is just a foregone conclusion in a morally bank-rupt, voyeuristic world where the monarchy is merely a ludicrous repository for left-over notions of national glory.

Within minutes of the lights going down, Phaedra is confessing her dangerous lust to her uptight daughter. Gone is her moral struggle; the only restraint on her is the possibility of public humiliation. Hippolytus, meanwhile, far from being an athletic hunter, is a firstclass slob, who lies about in his room all day, slumped in front of

the television, eating junk food, masturbating and wiping his nose on his socks. Scarcely the model of chastity either, he orders in women as if they were pizzas and his sex drive has warped into another extension of his self-loathing as he allows himself to be ministered to, he adopts the same air of detached boredom as he does when playing with his remote control car.

With Phaedra's moral dimension reduced. Hippolytus becomes the focus of the play, his nihilism and cynicism portrayed as a logical response to a world that he per-ceives as meaningless and hypocritical. He lets his step-mother have sex with him, then, following on her desperate suicide, allows himself to be accused of rape and finally torn apart by a bloodthirsty crowd.

It is not a reading that anyone

could accuse of subtlety, but it is delivered with great punch and laced with black humour: "If only there had been more moments like this", gurgles Hippolytus through a mouthful of hlood, as he watches the vultures circle over his broken body. There is an energy, a level of self-parody about the writing that reminds you of Jacobean tragedy, splendid in its excessive response to daily corruption. Kane also directs; in an open-plan auditorium, the actors are scattered around the audience which gives the whole evening a feeling of immediacy.

The cast is enjoyably intense: Philippa Williams as a possessed Phaedra would have her eyes on stalks if it were physically possible, while Cas Harkins's Hippolytus portrays all the absurd attraction unwashed, bad-tempered youth.

At the Gate Theatre, London W.11 until June 15 (0171-229 5387).

#### Ballet/Clement Crisp Bintley's 'Burana

armina Burona starts with the blasting clamour of "O fortuna", and my heart sinks. It is going to be a long haul as the four-square rhythms and relentless naiveties of Orff's bombastic score bang around us. For reasons which I find it hard to fathom, the score has attracted several choreographers. The imagery of its medieval verses - lust; drink; remorse; spring-time - may have interest: the motor-force of the music has the subtlety of a land-slide. It is curious that Orli believed in a unity between music and movement for educational purposes. With Carmina Burana, it sounds as if the movement was marching, and a kindergarten. For his Birmingham Royal Ballet,

David Bintley made a staging of Carmina Burana last autumn, and this was the chief piece in Tuesday's opening of the company's Covent Garden season, f reported with some reserve about the first performance; renewed acquaintance does not make matters any happier. Faced with this stretch of musical concrete, Bintley has pulled out every stop to give an air of dynamic excitement - and to judge by public response, he has succeeded. He has turned it into a modern morality. and played every trick be decently can from the dance-hall trick and the chair trick to pregnant girls, wide-boys and gangsters, young love old love, rage, gluttony, men in drag, a line of laundry, and Mich-ael O'Hare giving us oodles of charm. But such display cannot disguise the emptiness and superficiality of the ballet. I find it lifeless. Philip Prowse, masterly designer, has pulled out even more tricks in a

brave attempt to make matters seem lighter than they are, and his decorations are brilliant. (He knows - as do too few designers today thet the stage is a box to be filled with magic.) The BRB dancers rush about with the best will in the world, but Orff's Nuremberg rally of a score regiments and dogs their every step. Bintley has done what he has had to do with skill, but it is an unequal contest with this orchestral brute. Under Peter Ernst Lassen, the Royal Ballet Sinfonia, the Royal Opera chorus, Judith Howarth, Martyn Hill and Anthony Michaels-Moore gave what the score's admirers would find a strong reading. There had, happily, been music to

start the evening. The Glazunov pieces that make up Birthday Offering's score have the lilt and grace of true musique dansante. Ashton loved their felicity, their delicious imaginative variety, and made this dazzling series of portrait solos to depict the Royal Ballet's galaxy of ballerinas in 1956. (Seven ballerinas; count them, and wonder what has gone wrong after 40 years!) ldle to suppose that BRB can field artists to make us forget Fonteyn and her coileagues, but things might look a bit jollier if Peter Farmer had not decided to set the ballet on a late February afternoon near a cremato-rium. Gloom is all. BRB's young ladies are earnest and well intentioned, but only Sandra Madgwick catches the buoyant wit of Nadia Nerina'a variation, with Dorcas Walters also pleasing because she so enjoys showing us Rowena Jackson's quick-spirited variation. The men look rather sober-sided, as if they have not yet got over the loss of a loved one.

# INTERNATIONAL

#### **BERLIN**

Konzerthaus Tel: 49-30-203090 Solomon: by Handel. Performed by the Rundfunk-Sinfonieorchester Berlin and the Rundfunkchor Berlin, conducted by Robin Gritton, Soloists include sopranos Claron McFadden and Catherine Denley; 8pm; May 24 Deutsche Oper Berlin

Tel: 49-30-3438401 • Undine: a choreography by Neumeier/Ashton, performed by the Ballett Deutsche Oper Berlin. Soloists include Raifaella Renzi, Lisa Collum, Victor Alvarez; 7pm; May 24. 27 OPERA

Staatsoper unter den Linden Tet: 49-30-2082861 Der Rosenkavalier: by R. Strauss.
 Conducted by Donald C. Runnicles and performed by the Staatsoper unter den Linden. Soloists include Ashley Putnam, Günter von Kannen and Hans Joachim Ketelsen: 6.30pm; May 24, 27 (6pm) THEATRE Deutsches Theater und

Andrews Table 1 Tabl

Tanangan sa ja

Kammerspiele Tel: 49-30-2824238 Uncle Vanya: by Chekhov (in German). Directed by Thomas Langhoff and performed by the Deutsches Theater. The cast includes Grube-Deister, Keller, Krumbiegel and Schall; 7.30pm; May

#### COPENHAGEN JAZZ & BLUES

Copenhagen JazzHouse Tel: 45-33 15 26 00 James Moody: performance by the tenor saxophonist, accompanied by The Bent Jaedig Quartet; 9,30pm; May 25

#### DETROIT EXHIBITION

The Detroit Institute of Arts Tel: 1-313-833-7963 Surrealist Vision and Technique: Drawings and Collages from the Pompidou Center and the Picasso Museum, Paris: this exhibition includes collages, automatic drawings, "decalomania", and collective drawings by artists associated with surrealism in Paris during the 1920s and 1930s such as Max Ernst, Man Ray, André Masson, Pablo Picasso and Salvador Dali; to

#### DRESDEN

**OPERA** Sächsische Staatsoper Dresden Tel: 49-351-49110 Nabucco: by Verdi. Conducted by John Fiore and performed by the Sächsische Staatsoper Dresden. Soloists include Hans-Joachim Ketelsen, Tom Martinsen, Danilo

Rigosa and Soja Smoljaninova; 7pm;

#### **EDINBURGH OPERA**

**Edinburgh Festival Theatre** Tel: 44-131-5296000 Amadigi: by Handel. Conducted by Laurence Cummings and performed by the Opera Theatre Baroque Orchestra. Soloists include

### Jonathan Peter Kenny, Majelle Cullagh, Anne O'Syme and Buddug Verona James; 7.15pm; May 25

**■ GENEVA** CONCERT Victoria Hall Tel: 41-22-3283573 Orchestre de la Suisse Romande: with conductor Günther Herbig. oboist Roland Perrenoud and clarinettist Michel Westphal perform works by Mozart and Shostakovich; 8.30pm; May 24

#### LONDON

CONCERT Wigmore Half Tel: 44-171-9352141 Nelson Goemer: the pianist performs works by Bartók Beethoven and Chopin; 7.30pm; DANCE Queen Elizabeth Hall

Tel: 44-171-9604242 Trisha Brown Company: performance by this dance company led by New York's Trisha Brown. The programme includes Brown's latest work MO set to J.S. Bach's Musical Offering, with costumes by French designer trie, and her piece Set and Reset, with a Laurie Anderson score and multi-media

### designs by Robert Rauschenberg; 7.45pm; May 24, 25 Royal Opera House - Covent

Garden Tel: 44-171-2129234 Far from the Madding Crowd: a choreography by David Bintley to music by Paul Reade, performed by the Birmingham Royal Ballet. Soloists include Monica Zamora David Justin and Yuri Zhukov: 2pm & 7pm; May 25

British Museum Tel: 44-171-6361555 David Le Marchand (1674-1726) An ingenious Man for Carving in lvory: exhibition of works by this French-born artist who settled in Edinburgh in 1696; from May 24 to Sep 15

THEATRE Barbican Theatre Tel: 44-171-6388891 The Taming of the Shrew: by Shakespeare. Directed by Gale Edwards and performed by the Royal Shakespeare Company. The cast includes Josie Lawrence 7.15pm; May 24, 25 (also 2pm), 27,

#### **LYON**

**OPERA** Opéra de Lyon Tel: 33-72 00 45 00 Carmen: by Bizet. Conducted by Kent Nagano and performed by the Opèra de Lyon. Soloists include Doris Lamprecht, Hélène Perraguin, Daniel Galvez-Vallejo and Norah Amsellem; 8pm; May 24, 25

#### ■ MADRID

CONCERT Auditorio Nacional de Música Tel: 34-1-3370100

 Orquesta Nacional de España: with conductor Manuel Galduf, violinist Félix Ayo and cellist Liuis Claret perform works by Brahms and Beethoven; 7.30pm; May 24, 25. 26 (11.30am)

#### ■ NEW YORK EXHIBITION Guggenheim Museum Soho

Tel: 1-212-423-3840 Insight: African photographers, 1940 to the present: exhibition, including more than 130 works by 28 artists, exploring the achievements of photographers from Africa in the years that marked the emergence of independent African

Whitney Museum of American Art Tel: 1-212-570-3600 Klenholz: A Retrospective: this exhibition presents the full range of Kienholz' own work and his 20 years of collaboration with his wife and partner, Nancy Reddin Kienholz; to

states; from May 24 to Sep 29

#### PARIS **EXHIBITION**

Musée des Arts Décoratifs Tel: 33-1 44 55 57 50 Les Dubuffet de Dubuffet: exhibition of works by Jean Dubuffet from the collection of the artist himself; to Jun 30

#### ■ ROME CONCERT

Accademia Nazionale di Santa Cecilia Tel: 39-8-3611064 Radu Lupu: the planist performs Beethoven's Sonata in C minor, Op.10, No.1, Sonata in F major,

Op.10, No.2 and Sonata in C major, Op.10, No.3, and Schubert's Sonata in A minor, Op.42, D845; 8.45pm; May 24

#### **■ SAN FRANCISCO** EXHIBITION

M.H. De Young Memorial Museum Tel: 1-415-750-3600 Fabergé in America: touring exhibition comprising approximately 400 objects created by the workshop of the Russian Jewelle and entrepeneur Peter Carl Fabergé (1846-1920), drawn from American collections; from May 25 to Jul 28

#### VIENNA CONCERT

Conzerthaus Tel: 43-1-7121211 Tokyo Symphony Orchestra: with conductor Naoto Ohtomo and pianist Markus Schirmer perform works by Takemitsu. Ravel. Nishimura and R. Strauss; 7.30pm; May 24

#### ■ WASHINGTON CONCERT

Concert Hall Tel: 1-202-467 4600 The Kennedy Center Opera
 House Orchestra: with conductor leinz Fricke perform Haydn's Symphony No.45 and Mozart's Concerto for Flute and Harp, and the overture to La Clemenza di Tito; 7.30pm; May 24

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Squawk Box

10.00 European Money Wheel

Financial Times Business Toniaht

Economic Viewpoint · Samuel Brittan

# Spending trap always there

If the Maastricht criteria for budget deficits and the proposed European stability pact did not exist, something similar would have to be invented

One of the most influential economic tracts penned in modern times was by two Oxford economists, Rohert Bacon and Walter Eltis, entitled Britain's Economic Problem. This was based on three articles in the Sunday Times published in 1975 on the eve of the IMF crisis when UK inflation had reached 25 per cent,

ture was 48 per cent of GDP. Their thesis was that the state sector was expanding at a rate which was strangling the creation of real wealth. The headline idea was not new. The novelty introduced by the authors was the empha-sis on the decline in the number of people in the productive sector, whose efforts were required to finance the publicsector leviathan.

public sector horrowing was

10 per cent of gross domestic

product and public expendi-

I have to admit that I did not jump on board the Bacon-Eltis handwagon despite its anti-statist bias. When first launched under the title Too Few Producers", the original articles were too reminiscent of Tony Benn's de industriali sation thesis, which mistakenly identified the fortunes of the wbole economy with that of a chosen key sector, in his

case manufacturing.

By the time the Bacon-Eltis thesis appeared in book form. the autbors had moved towards a more defensible demarcation hetween a market sector, comprising any activity which produced something that was sold, whether at home or abroad, and a collective sector which did not sell its services but was financed by the taxpayer. The latter was dependent for its support on the surplus which could be extracted from the

market sector. There was a further element that provoked misgivings. Other things heing equal which, of course, they are not I have always preferred private or voluntary provision to the collective variety. But this is a matter of political philosophy. If most citizens have a preference at the margin for

their confidence.

collective provision, I doubted there was an iron law of economics preventing them following their inclinations.

Nowadays, the Bacon-Eltis view of the world is pretty well accepted in general terms. Gordon Brown's trouhles with some of his colleagues in the Labour party come from the shadow chancellor's conviction that it would be disastrous for Labour to be seen as the party of higher spending and taxes.

The plight of so many continental countries that are wrestling with low growth and public-sector deficits is widely traced to their following the path of high collective spending. International hodies, such as the IMF, praise countries, whether the US, the UK or emerging economies, that have kept public spending ratios at well below the 50 per cent of GDP that is typical of much of Europe

Bacon and Eltis bave reissued their book with a retrospective analysis (published hy Macmillan under the title Britnin's Economic Problem Revisited). They now produce a more precise version of their theory. They see three stages in the destabilising influence of a growing state sector.

First, a fraction of the tax increases imposed to pay for that growth will be passed on in higher lahour costs, Second,

Source: Bacon and Eltis, based on OECO

these higher costs will in turn reduce market-sector employment. Third, taxation is pushed up yet further because people displaced from the market sector will be an added burden on state finances.

They identify three propensities which together determine whether the process they identify will be explosive or not. The first is the elasticity of the cost of labour with respect to taxation. The second is the responsiveness of market-sector employment to the cost of labour. The third is the extent to which tax rates rise as market-sector employ-

ment declines. They have come to the reassuring conclusion that these combined propensities are no longer explosive in the UK. They believe that the proportion of a tax increase which can be passed on in higher pay has declined from 0.6 some 20 years ago to 0.3 today.

This is largely due to the weakening of union power under the Thatcher government. In other words, there has been a reduction in the power of unions to insist on preserving post-tax real wages, come what may. They do not see much change in the responsiveness of marketsector employment to the cost of lahour.

Most crucial of all has been the change in the third pro-

that 20 years ago the cost of employing a displaced privatesector worker in the public sector was about 1.3 times his original income. Today, there is no such obligation and the relevant ratio is that of the dole to the original income, typically 0.4. The authors use this intel-

pensity: the authors estimate

lectual apparatus to explain the recent explosion of the Swedish welfare state, vividly illustrated in the accompanying chart. They cite the eplsode as a solemn warning against the British forgetting the lessons of the past and allowing state spending to creep up again.

Al an international level, the alarm abont rising public spending is, if anything, greater now than 20 years ago. The IMF World Economic Outlook has what, hy the standards of that organisation, is a chapter of purple prose on the dangers of rising deficits and debt. It has a chart showing the budget balance in selected industrial countries now hovering around 5 per cent of GDP, a level previously only seen during major wars and in the Great Depression.

The IMF fears these percentages will grow even higher because of the looming deficits in social security budgets as the population ages. The fund estimates the "contribution gap" required to put social security funds on a sustainable basis in the next century. This is put at only 0.1 per cent for the UK, hut 3.3 per cent for France and Germany, Translated into personal tax rates, the implied increase is seven percentage points or more in those two countries.

The moral seems to be that if the Maastricht criteria for monetary union and the proposed European stability pact did not exist they would have to be invented.

Do recent developments mark, then, a final triumph for the Bacon and Eltis thesis? At the risk of seeming meanminded, I must say 'not quite". For the danger of rising public spending, seen for instance in the IMF analysis. comes not from a growing non-market public sector hut from rising transfer burdens from one group of citizens to another to pay for the welfare state, in other words, we are hack with the age-old hot valid general warning about the dangers of soaring public spending and tax ratios.

Indeed, the main limit on market-sector employment has been demand rather than any squeeze from the state sector. So the structural side of the thesis, which helped to build a left-right coalition in its support, has not worn as well as more conventional warnings.

There is a more detailed point, both of theory and of employment policy. By far the higgest change in the UK propensities arises from the authors' assumption that British governments have abandoned their role of employer of last resort.

In principle, there is nothing inherently wrong about the idea of employing collectively workers who would otherwise have been on the dole. It is surely better that they should produce something instead of nothing. What has, however. been convincingly demonstrated - above all in the Swedish case - is that such employer-of-last-resort policies do in practice have a cost for the rest of the population already employed.

Exactly why would require a separate investigation. It may be that people get sucked into state employment when -if left alone - they would eventually have found a niche in the market sector. It may be too that the cost of investment and materials for this last resort employment is a drain on the economy disproportionate to the output produced hy those who would otherwise be on the dole.

I am sorry to end with the cliche that special employment measures need to be better designed, more imaginative and more cost-effective than they have been in most countries in the past. But I cannot see any escape.

**BOOK REVIEW** · Max Wilkinson

IN THE BLOOD: God, Genes and Destiny By Steve Jones (HarperCollins, 300pp, £20)

### **Evolutionary echoes** in an empty cavern

Darwinism is so strong that, more than a century after his death, few people can take it neat. Darwin

himself disdained to water down the theory; hut he tried hard to make it palatable by including much that was comfortingly familiar: for example the subtle effects of pigeonbreeding and the astonishing variety of dogs that came out of wolves. He tried to make evolution sound like common sense and to minimise conflicts with the pieries of his day.

Yet the message remains -as Darwin well knew - stark and uncompromising. Mother Nature fashioned tigers in every lineament of beauty to he efficient killers. She condemns the impala to be torn to pieces, the defeated stag to die in agony. She permits the larva of the parasitic wasp 10 eat its bost, a caterpillar, from inside, keeping the victim alive so

that its meal stays fresh. And Mother Nature fasbioned the Aids virus, a disembodied section of genetic code designed only to corrupt useful cells and destroy its victims in a mindless orgy of reproduc-tion; it kills slowly and selecn'vely, so there will be plenty of bumans left to pass on, during acts of love, the DNA of

internal sabotage. Can Mother Nature really be so cruel? Despite overwhelming scientific evidence for Darwin's theory, educated people still wonder whether the miracle of modern man could possihly have emerged from random genetic changes and the destruction of the unfit. Such doubts, and a renewed interest in the advances of modern Darwinism, have prompted a cascade of popular hooks.

To mask the astringency of evolution's message, some authors have used grand meta-phors (Richard Dawkins's River Out Of Eden and Climbing Mount Improbable, Matt Ridley's The Red Queen, for example). Others such as Rohin Dunbar have applied the

theory to that fascinating topic of how talking apes manipulate each other. But even this topic is uncomfortable, for modern Darwinism undermines some central assumptions of Christian morality. In The Morni Animal, Robert Wright cleverly diluted this theme with an account of Charles Darwin's own life and moral dilemmas.

In the latest offering, Steve Jones, professor of genetics at London University, has tried a thoroughly modern solution. His book, timed to coincide with a BBC2 series, appears based on the ibeory that homo sapiens bas evolved an attention span so hird-like that it must constantly be refreshed with a new image or amazing factoid. So Jones's account of the make-up and distribution of human genes is frequently interrupted by frames from his-

tory and biblical analogies. His attempts to link the story of genes to big words understood by arts graduates is entertaining in a "Well, wby not?" sort of way, hut also irritating. So "Armageddon" turns out 10 be the disastrous conjunction of recessive genes inherited by both parents from a remote ancestor. Sex and taxes are the same because the one redistributes wealth, the other genes. But Jones is not a historian and has nothing interesting to say about the distribution of wealth.

So his sonorous sound hites, such as "The battle between capitalism and socialism is. as a result, essentially an argument about sex" become echoes in an empty cavern.

On his own subject. Professor Jones is more interesting and often entertalning: for example on genetic evidence related to the lost tribes of Israel and the genetic basis of diseases. One of his strongest themes is the closeness with which we are all related. Almost everyhody in the western world is descended from Nero – and others alive in his time. As he says: "Everybody is related to everybody else." Jews. Gentiles, hlacks, whites,

Chinese, Slavs, all have far, far

the few that distinguish them. So why do they fight?

To understand this, one may go back 20 years to a seminal book by Richard Dawkins. in The Selfish Gene. he describes the grand battles fought between the genes that inhabit every living cell. Their function is to tell the cell how to reproduce itself and, when an egg is fertilised, how to produce a new organism.

We humans think of genes as the fragment of immortality we pass on to our children. Jones looks at the relationships between genes and our human condition

But there is an evolutionary story behind this. Each gene is competing with every other one for survival into future generations. And the inexorable law of survival says every gene alive today must he descended from genes that were better at passing or copies of themselves than the billions that failed to survive.

This anarchic competition is more hrutal than envisaged by Darwin, who did not know about the chemistry of inheritance. Yet recent work suggests it can explain harmonies of nature that delight poets and inspire religious faith.

For in the pitiless struggle for survival, two genes are better than one and 2hn hetter still. So genes comhine to produce ever more complex plants and animals, each programmed to compete - or act together with their fellows and above all to pass whole garrisons of co-operative genes on.

In this, one sees a glimmer-ing of how the harsh laws of genetics may walk hand in hand with the grand conceptions of civilised man. It is a country Steve Jones would like to traverse, but his book is too much the child of the television age to get very far.

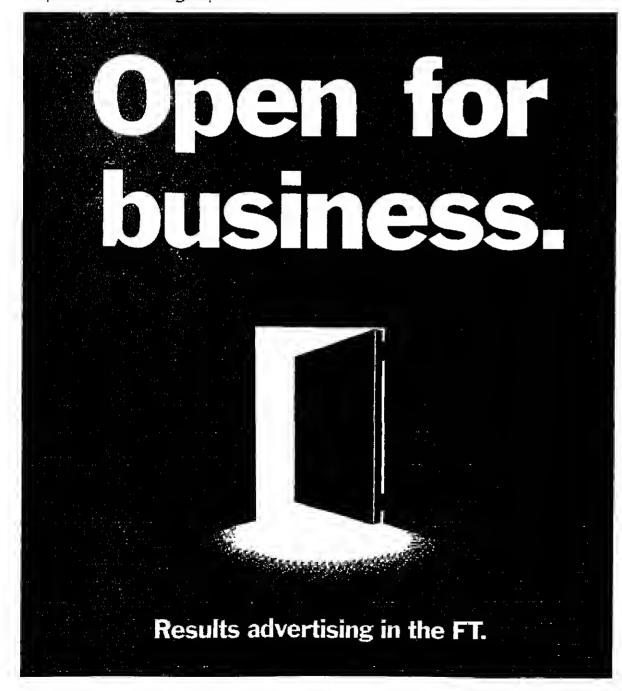
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### ·LETTERS TO THE EDITOR·

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#### Capital investment that puts people into work

From Dr J. Toporowski. Sir, Peter Norman cites Kurt Biedenkopf and Gerhard Schroder in Germany as arguing that "investment to replace labour hy machines' means "putting people out of work" (Economics Notebook: "Germany fails to hite on the bullet", May 20). They are wrong. Investment in capital-intensive techniques actually "creates" jobs prodigiously in the investment goods sector, providing a more reliable tax base for welfare state provision than low

income, low productivity and often "fly hy night" employment in services.

Germany, whose large heavy goods sector is suffering from excess capacity, is one of the few countries in Europe that could afford such an investment boom. Moreover, Messrs Schroder and Biedenkopf seem to have an exaggerated faith in the efficacy of funded pensions. Ultimately all modern pensions come either from taxes on employment, or from the profits generated hy

employment in the case of funded schemes.

The rising cost of welfare provision in Germany, as in many other European countries, is less a problem of generous benefits and more one of an inadequate tax hase in more slowly rising employment and a stagnant economy (an indictment surely of Europe's politicians and industrialists rather than Its pensioners).

Savings out of employment income are therefore hardly a more adequate base for future

pensions, except for those who will make money from selling. and mis-selling, private pension schemes. Where these savings are used to purchase claims on future profits, British and American experience suggests that the resulting increase in company liabilities further discourages investment in fixed capital.

J. Toporowski, reader in economics. Sonth Bank University, London SE1 OAA, UK

#### Scheme aids the market more than Names

From Mr Ian Macmillan-Bell. Sir, I support Mr James Hodgson's views (Letters, May 17) on the Lloyd's reconstruction and renewal

offer to Names. The main purpose of the recovery vehicle, Equitas, is to provide finality (without the inverted commas) to the ongoing market and any "finality" it provides for the membership is incidental. The reserves carried by Lloyd's at the end of December 1994 amounted to some £13.46bn and I do not helieve that the figure will have significantly altered for end December 1995. This sum must be more than sufficient to enable an ongoing Lloyd's to pass solvency at tha end of August, with or without Equitas and without the requirement for large sums of money from Names to

capitalise the vehicle. Some members will argue that they want an end to the nightmare and I respect their wishes, hut I would ask them to look very hard at what they are being offered before they take their decision and to remember that they are required to give up their litigating rights should they agree to the proposals.

Jan Macmillan-Bell, **Iverston House** 20 Fitzroy Road.

#### UK utilities need new regulatory formula From Dr David Rudd.

Sir, The serious persistent flaws in the regulatory framework, to which you bave drawn attention ("Who regulates the regulators?", May 20), have two connected

 In the RPI-X formula, which all the regulators use, they decide on X and the severity of the other parts of the formula by reference to their own, inevitably highly subjective, estimates of all the economic factors on which the utility's profits will depend. That is an impossible task, which was not envisaged when RPI-X was first proposed for BT in 1983. The only way of correcting the effects of making X too large or too small is hy a radical review every five years or sometimes less – but that is much too short a period in comparison with the service lives (25 years nr more) of the

fixed assets in which the utilifies must invest. Consequently the reviews

bave degenerated into bad-mannered confrontations. in which both sides shout louder and louder in their efforts to get the public on their side. The solution is to abandon

RPI-X in favour of a formula which ohliges the unlities to share the benefits of their economies (whether by straightforward saving or hy expanding their husiness volume more rapidly than their costs) with their customers and which does not require a radical review every few years. Such a formula was first published four years ago under the title Economy Sharing Regulation, and again last October by the Institution of Electrical Engineers, but the regulators and the utilities have all either ignored it or

dismissed it out of hand. The 4. Lahour party has realised the inherent weakness of RPI-X but still clings to the radical review every few years.

Unfortunately, up to now RPI-X has been the source of large profits for the utilities and increasing arhitrary power in the hands of the regulators. who are becoming a priesthood. One has therefore to expect that, if you publish this letter, they may either ignore it or try to rubbish it hy misrepresenting the new formula. However, a few readers may be open-minded enough to think there might be something worth investigating. That is how new ideas sometimes get some serious attention in the end.

David Rndd. 14 Colcokes Road, Banstead. Surrey SM7 ZEW, UK

#### Political straitjacket offers no protection

more embark upon some

From Mr Mark Brinkley. Sir, Edward Mortimer's article, "Why Jacques and John make such an odd couple" (May 18/19), lifts the veil on the driving force behind European integration when he writes: "The problem is that in a Europe of nation-states, Germany is

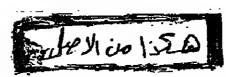
bound to be the strongest. The implication of this widely held view is that, without some form of supranational system to hind it in place, Germany will once

calamitous military expansion. However, there is an unholy sub-text to all this that suggests that the Germans cannot be trusted on their own and must, therefore, have some sort of political/economic straitjacket placed around them for the safety of all other Europeans.

Now if this is nonseuse, the drive towards integration is quite unnecessary. If, on the other hand, this is true - ie. that the Germans are a danger

if left to their own devices then what evidence is there to suggest that the danger will be reduced hy subsuming their power within a larger framework. On the contrary, the history of Yugoslavja provides ample evidence that a federal system provides absolutely no protection at all.

Mark Brinkley, Bramblings, мш нш, Weston Colville Cambridge CB1 5NY, UK



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### The challenge for Mr Prodi

Last month's general election about the coalition's ability to impose tough economic decisions mism about Italy's future, which mism about Italy's future, which prime minister Romano Prodi's first actions have done little to dispel. The new cannet which he unveiled last week has a better grasp of the country's economic problems, and firmer commitment to solving them, than any in recent history.

Even the typically impatient financial markets will not expect Mr Prodi and his colleagues to turn the country around overnight. What is required, however, is a realistic road-map outlining the government's goals for the short and longer term and how they are to be achieved.

The prime minister's speech to parliament yesterday fell some way short of providing such a guide. But it did, at least, stress the right priorities: cutting the budget deficit and fighting infla-tion in the context of a serious attempt to give Italy a shot at membership of European mone-

tary union. The budget is clearly priority number one. For starters, there is the roughly L12,000bn (£5bn) package of tax increases and expenditure cuts needed to keep the 1996 budget on course. Mr Prodi was probably right to insist that the new government take on this job of introducing a mini-hudget rather than leaving it to Lamberto Dini's outgoing caretaker administration. Abdicating responsibility would have sent the wrong signals - but this one perhaps most of all.

it of a chance to link the mini-bud-get to its broader economic plans. Mr Prodi has a fine line to walk

in drawing up such an agenda.
The state of the public finances,
and commitment to preparing
Italy for Emu provides few
grounds for complacency. The deficit and inflation are well above the average of the European "core". And even those most optimietic of Italy's Emn chances accept that the public debt as a share of GDP will have to have fallen steadily, and predictably, for several years before there is e chance of the lira getting in. The many austerity packages of recent years may, just, have managed to stabilise the debt ratio, but it will take a lot more to reduce it.

Yet Mr Prodi must also remember all the other "fresh starts" for Italy which have been celebrated in the past. The best way for the centre-left coalition to follow the preceding 54 post-war governments would be to announce a range of targets on which it was unable to deliver. The weak and divided state of the opposition should allow the government to push through some unpopular spending cuts. But Mr Prodi must select his battles with care if he his to survive a full five-year term as promised. Delivering on any of the new government's pledges would change Italy for the better

### European venture

Biotech into a company with a market capitalisation of roughly FT-SE 100 scale raises an intriguing question for investors. Is the UK at last capable of creating technology based companies which, in the American fashlon, go from nowhere to substantial size in a relatively short period of

and Domes

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The question is equally timely for Europe as a whole. In Germany, the rise of the software dent. The proposed new Easdaq stock market for technology and other growth stocks is hullt on the assumption that the climate is now right for such businesses to flourish as public companies.

History is on the side of the sceptics, in Britain, which has a tradition of venture capital and early public offerings, the companies which have taken this route most successfully are rarely high-

tech start-ups. Venture capitalists have been bappier financing huy-outs of underperforming subsidiaries of hlg companies - usually in bread-and-butter industries - than getting new technology companies off the ground. And stock market investors are happiest backing rationalising entrepreneurs, or companies with legal or practical monopolies, such as privatised utilities, or newly licensed broadcasters. British start-nps often stay small, as owners plump for contentment over expansion. Alternatively, as with the recent

The transformation of British reality companies, they sell out to a larger partner at a relatively

The pattern varies from country to country, but rarely comes down in favour of the creation of American-style publicly quoted high-tech companies, in Germany, there has been a preference for keeping the company in private ownership, even when growth targets are ambitious ones. And throughout Europe, there has been a long-standing tendency for the brightest technologists to stay in ivory towers: universities or the scarcely less academic research departments of big companies.

There are some signs of change. Universities are becoming more commercially minded; big corporate research departments are being slimmed down. Venture capitalists have competed away much of the potential profit in huy-outs, and the risks of high tech are becoming relatively more attrac tive. investors have learnt from US examples - along with those closer to home - just how spectacnlarly rewarding high-tech ven-

tures can prove. There are non-financial trends at work as well. The computer industry is in a state of flux which allows new entrants easier access. Biotechnology is similarly transforming the pharmaceuticals and

healthcare industries. The time has never been better for the creation of new publicly quoted European high-technology companies. If enough of them suc ceed, European stock markets will not be the only gainers.

#### ighteen months ago, well before anyone dreamed of the current mad cow disease, one of the most senior officials in the European Commission sat in his office in deep despair. "It is like witchcraft," he said. "Whatever we do in the European Union is transformed into the object of a witch-bimt in Britain. I have never felt so depressed about the state of Britain's relations with its European partners." This weak, those relations reached a new low when Mr John Major, the UK prime minister, announced a formal policy of non co-operation on all EU decisions. As far as Mr Major and his ministers are concerned, the purpose is clear. He had to show his recalci-

Bewilderment turns to despair

Europe's leaders see John Major's threats over beef as a risky electoral

ploy, say Quentin Peel, Robert Peston and Caroline Southey

trant backbenchers that he was capable of standing up to the med-dlesome foreigners in Brussels. Some ministers had for months been searching for just such an issue around which the party could unite. They were in buoyant mood yesterday, convinced they had

found at least a partial solution to the Tory party's endemic divisions between pro-Europeans and Euroscentics

Mr Major insisted, bowever, that he was not playing narrow party politics. The strategy was constructive, be said, and was forced on him by the EU's failure to lift the ban on British exports of beef products: such humble substances as gelatine, bull semen and tallow. Yet to many EU officials in Brus-

sels, and in the capitals of the 14 other member states, it simply confirms what has already heen a long-standing perception: that the British government has ceased to play a positive role in most aspects of European policymaking.

"We used to watch with amusement, then with bewilderment, and now with silent despair," says one of Chancellor Helmut Kohl's entourage in Bonn,

This decision is troublesome, of course," a senior Brussels official said yesterday, "but the British are being very difficult on a lot of these things, anyway. It cannot make

matters much worse."
The crisis over BSE (bovine spongiform encephalopathy) in British cattle, the admission by the UK government of a possible link to Creutzfeldt-lakob disease (CJD) in humans, and the subsequent col-lapse of consumer confidence in beef throughout the EU, have simply brought to a head the hostility to Brussels which has long marked

UK government policy.

The crisis has also re-emphasised how differently the EU is perceived on each side of the Channel. British politicians, business peo-

ple and bureancrats have long tended to regard the EU as a tiresome consequence of a Common Market, to be suffered but not celebrated. Their continental counterparts see it rather as a vital institution guaranteeing the post-war preservation of peace in Europe, and an essential adjunct to national policy-making.

"The mistake the British made over beef was not to consult with Brussels from the outset " says a senior European amhassador in London. "But their failure to consult was symptomatic of their whole attitude to Europe."

That gulf to perceptions remains at the heart of the current deadlock. "It is seen from everywhere on the continent that we have to stress the measures being taken to get BSE out of the food chain," one of the

consumers. The ban (on British beef exports) is seen as a subsidiary point But in Britain, lifting the ban is seen as far more important than getting rid of BSE."

The truth is that both sides are aware of the gap, and yet seem unable to bridge it. "I have never known a situation in the union where there has been so little common ground between two sides in a dispute," says a British official who previously worked in Brussels for the UK government.

"We have been talking at cross purposes since the beginning. Every time we have arrived at a farm council to talk about one thing (lifting the ban), the other 14 member states have arrived expecting to talk about something else (eradication of BSE). It has been a disaster." This gap in perceptions has been

caused primarily by Britain's inability to understand the extent to which other EU countries have been affected by the crisis. Meat consumption has fallen dramatically in many other member states,

Brussels negotiators says. "That is with beef sales in Germany still 50 ment's total lack of interest in the only thing which will reassure per cent down on levels recorded establishing contact with other before the UK government's announcement

The British government seems to believe decisions are being made in Brussels out of malice. But there is no hidden agenda. EU governments are simply acting to protect their markets and to cope with the fears of their consumers. They are under enormous pressure," a Dutch diplomat says.

The gap has been widened further by the UK government's perceived reluctance to take drastic action to eradicate the disease. "EU countries feel instinctively that Britain should be doing more and that it is only interested in doing the bare minimum." says an EU official.

"More cattle have been slaughtered in the Netherlands than in Britain," according to another.
"There have already been 150,000 cases of BSE in British cattle, so slaughtering 50,000 is neither here

Another sign of Britain's alien-ation from the other 14 member states has been the UK govern-

European capitals. Senior EU diplomats remain incredulous that the UK has done little to persuade other governments of the efficacy of its strategy to cope with BSE. Nor has

hy linking up with other states. Mr Major appears to have ignored advice issued weeks ago hy Mr Jacques Santer, president of the Commission, and repeated again in a personal telephone call yesterday: that he should "start working on the capitals", according to a senior EU official.

it tried to find a common solution

Instead of issuing public denunciations of the EU for domestic pub-lic consumption, why did the Brit-ish government not go and see colleagues in other countries? It is very difficult to understand," says a eenior Scandinavian diplomat. They have acted as though they believe the whole of Europe is in

the House of Commons." The immediate aim of the British offensive is to prevent the EU making any decisions which require a unanimous vote. A senior member

of the UK government says the obstruction will not simply apply to directives and legislation, but also statements and expressions of

UK ministers were yesterday requested by the prime minister's office to examine all forthcoming EU business involving their departments and agree a strategy for undermining it. An attempt to co-ordinate the offensive will he made by a specially created ministerial committee chaired by Mr Major.

The overall purpose is not any longer merely to see the ban on beef derivative products lifted. Mr Major is also determined to see EU agreement on a "framework" for having the entire ban lifted.

"We do not expect to see the worldwide emhargo lifted overnight", says a senior government member. "What we are insisting on bowever is that there should be a clearly set out process leading to

how long this will all take, or what its eventual effect will be on the UK'e relationship with the EU. A close friend of Mr Major says he believes the net effect will be to increase the UK's influence in the EU. "Our action is a necessary part of demonstrating that we are not going to be pushed around," be says. "It will strengthen us in the long term."

Continental politicians helieve the opposite. Mr Karl Lamers, for-eign policy spokesman for Chancel-lor Kohl's Christian Democratic Union, warned yesterday that It could be very counter-productive.

"It is a massive threat for a pur-pose which really cannot be described as a fundamental British interest," he said. "Of course it is a reflection of the internal party-political situation in Britain. But it is simply not serious for Britain to call into question its entire relation-ship with Europe on such an issue. It makes any solution more difficult because we will not allow ourselves to be hlackmailed."

The British move has reinforced the belief in Bonn and Paris, and all the Benelux countries, that the future EU needs to incorporate a "flexibility clause" into its future treaty, which would in effect allow a dissident country like Britain to "opt out" of common policies.

As proposed by Chancellor Kohl and President Jacques Chirac of France, such a clause would allow a ahead with further integration whether on a common currency, common defence, or indeed a common immigration policy - leaving the likes of Britain behind.

Such a move was proposed by Mr Major himself two years ago. Mr Stephen Dorrell, health secretary among others in the Conservative party - rather hopes the present crisis will lead to a fundamental review of EU institutional structures, paving the way for a much looser "variable geometry"

The problem is that the UK government is now deeply divided about the wisdom of such a move. Some fear it could leave Britain out in the cold on a far wider range of EU decisions than it wants. There is concern that decisions could be made affecting UK interests without London being able to inflnence

It is not at all clear that Mr Major and his ministers have thought through the consequences of their actions beyond their first rhetorical

### GP fundholding

GP fundholding is a cornerstone of Britain's National Health Service reforms, enabling family doctors to take responsibility for purchasing some of the hospital and community-care services required by their patients. More than half of Britsin's "general practitioner" doctors (GPs) are now fundholders. Yet the reform remains contentious, heightening the importance of a report this week by the Audit Commission.

Two of the commission's conclusions have hit the headlines: that the direct cost of introducing fundholding has outweighed the direct efficiency savings (by an estimated £232m to £206m in England and Wales); and that "only the best-managed practices have had a major impact on services". Opponents of fundholding, notably the Labour party, have seized on these points to claim that fundholding is discredited and should be dismantled.

Such claims are not warranted by the report, so neither is the call for the abolition of fundholding. Instead, the report suggests ways of improving fundholders' performance, and implicitly questions the virtue of seeking to force most GPs into some form of fund-

holding arrangement. It ought to come as no surprise that only a minority of fundholders have pioneered significant improvements in services. The purpose of the reform was to stimulate just such a minority, in the expectation that their best prac-

tice would be widely emulated. The report praises the pioneers citing substantial benefits they heva gained for their patients through, for instance, greater choice in purchasing and a stronger relationship with hospitals.

The challenges now facing the NHS are how to spread best practice, how to tackle weaknesse identified among the less effective fundholders, and what to do with non-fundholding GPs. Abolition of the more successful fundholders is not a credible response to any of these challenges. Critics who claim that fundholding has wasted public money must surely think twice before proposing more costly reforms.

Policy should focus instead on the less successful and those outside the system. in the short term the government must impose tighter curbs on practices with sloppy business plans and inadequate accounting. It must also make provision for better management and financial training for new fundholders, while giving health anthorities the power to dismiss those who fail to meet minimum standards.

For those not desiring to be fundholders, or not up to the job, alternative arrangements should be considered under which GPs remain involved in commissioning hospital services. Labour supports a role for GPs in commissioning: it needs to be seen as complementary to, not a replacement for. full-blown fundholding.

#### Talk little, do much less

One European minister of agriculture who didn't rush to ban the import of British beef and everything related to it is Henrik Dam Kristensen, the Danish

Kristensen hails from Jutland a region where it's said that tha reliability of the people is in inverse proportion to the terse of their speech. He was a postman in the village of Vorbasse before rising to political eminence, and be was regarded as something of a joke when he was appointed to his present position in the minority centre-left coalition government in-1993. The condescending smiles have, however, vanished. He has earned a reputation for unshakeable calm and unhurried competence, and is respected by farmers as well as political colleagues and adversaries.

He didn't jump onto April's ban-the-beef bandwagon, but waited until he had beard the verdict of the veterinary experts. This week he voted to lift the ban on exports of so-called beef

Of course, there's more to it than the unflappable good sense of a sturdy Jutlander. It just so happens that Denmark's single biggest export to Britain is bacon and pork products. No point in causing unnecessary offence. If

there is an outbreak of some dire disease in the piggeries, Denmark will count on a sympathetic hearing from Britain - and from what one hears around the Danish capital, the Brits haven't been slow to get the message.

Their stock rises

Talk about corrupting youth. A Miami high school has been teaching kids how to invest, with a course entitled "Material Wealth and the Stock Market" - only to find the youngsters beating the professionals at their own game. As part of an anti-drop out programme, the students each invested an imaginary \$100 in the market at the start of January. By the middle of this month their portfolio had risen 33 per cept rather healthier than the nine per cent rise in the Dow Jones average

The favourite stock was Nike, chosen by 14 of the 97 participants. according to one "because a lot of people buy Nike". Another chose McDonald's "because it's worldwide and it's sponsoring the Olympics", while a third picked -AT&T "because I like to make a lot of calls"

Now they have a new ambition in life - to become stockbrokers, rather than drug dealers, though being able to cut a deal fast is not the least common ground between the two professions. It has also taught the kids a lot about life. Says the winner, Tory Chester,

who "bought" Woolwarth at \$10 you how life is like the stock market it goes up and down". A glittering career awaits him.

OBSERVER

#### A puff of cream

From the country that brought you "Claude X" - the man who gatecrashed Elysee gatherings and was photographed alongside heads of state - comes another French-speaking answer to pemposity, George Le Gloupier. George, who is actually Belgian, tries to humiliate the pretentious

by throwing cream tarts into their faces. Past victims included the French media's favourite philosopher, Bernard Henri-Levy But George's cream has soured. His latest target was Daniel Toscan du Plantier, head of the Unifrance French film promotion organisation. During a scuffle he fell down some steps at the Cannes festival - and is now suing George.

#### Dump and rape

Readers recently invited to soothe AGF chairman Antoine Jeancourt-Galignani'e ire over a pair of linguistic excrescences - "le greenshoe" and "le clawback" responded with enthusiasm in the search for French translations of the technical terms.

What'e a greenshoe anyway? It's an option granted by the issuer to

underwriters, giving them the right to purchase additional shares at the offer price in cases where they have sold more shares than they were originally allotted. The clawback, meanwhile, is when allocations to institutional investors are scaled back to accommodate the requirements of small investors. With AGF in the throes of partial privatisation, both

Jeancourt-Galignani's sensibilities. The winners - for ingenuity, and for skill at forming acronyms, so beloved of the financial markets are Ian McLeod and Jean-Pierre Monnier in Paris, who submitted a joint entry.
The greenshoe, they suggest, can

terms will have been offending

be described as the Deblocage Unilatérale sur Marché Prometteur, (DUMP) - roughly translated, a unilateral release on to a buoyant market. The clewback is then the Repartition Autrement que dans la Proposition Envisagée (RAPE) - (even more loosely) a different allocation from that envisaged in the proposal.

#### Down the wing

■ Gianni Rivera, the golden boy of Italian football turned politician, was mercilessly teased yesterday about his first government job. in his 60 appearances for Italy, he was a genius in attack; now he's been named a junior defence minister. Oh well, attack is the best form of

#### 100 years ago **Electric Communication**

M. Boucher, Minister of Posts and Telegraphs, after having previously arrived at an understanding with the British postal authorities in the matter, has just decided to establish four fresh telephone wires between Paris and London. This important step, which will tend to improve and develop telephonic communication between the two capitals, will be effected without cost to the French Exchequer, owing to the fact that the corporation of the Paris stockbrokers has undertaken to advance the sum of 650,000f, the cost of the aerial lines in French territory, and half the cost of the cable across the Channel, the corporation to recoup itself out of the receipts. 50 years ago

#### Swiss and Nazi Assets

The impasse which had ruled for so long between Switzerland and the Allied Powers, particularly the United States, over the question of the treatment of German assets in Switzerland seems to have been resolved at last. News from Washington states that agreement has been reached between the representatives of the Swiss Government and the Allies in respect of these Nazi holdings. and also in respect of the gold received by the Swiss from the Germans.



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### German tax plan faces opposition from states

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Germany yesterday unveiled a package of tax proposals aimed at reducing the tax burden for individuals, boosting incentives for small businesses and easing their access to capital.

But the package hy Mr Theo Waigel, the finance minister, is expected to face strong opposi-tion from the Länder, or federal states, when he presents it to the Bundesrat, the upper house of parliament. The Bundesrat repre-sents the states and is dominated hy the opposition Social Democratic party (SPD).

The states, hacked by the trade unions, are alreedy resisting plans by Chancellor Helmut Kohl to push through social welfare and other cuthacks totalling DM70hn (\$46bn) arguing they would next year leed to a DM29bn reduction in state revenues and DM11hn for the local authorities.

The states are gaining support from the public sector union which yesterday stepped up its strike action. It is demanding a 4.5 per cent pay claim for its 3.2m steuer. This is a 1 per cent tax on package.

employees and calling for the government's radical savings programme to be scrapped. Finance ministry officials say

yesterday's tax proposals could lead to a further DM3.5bn loss in revenue for the states.

But Mr Waigel, speaking after cahinet meeting which approved the tax measures, said he expected to introduce them in

The tax proposals include hringing forward a cut in the hated "solidarity" tax - currently a 7.5 per cent supplement to income tax introduced in 1993 to finance the ecocomic reconstruction of eastern Germany.

Instead of a 2-point cut in mid-1997, it would be cut by 1 percentage point in January and a further point to 5.5 per cent in 1998, leaving the finance ministry with a loss of DM7.4hn in revenue over the period.

Finance ministry officials said this could he compensated hy higher economic growth and the incentives arising from another element of Mr Waigel's tax measures: aholition of the Vermögenpersonal wealth paid to the Lander and which this year is estimated to bring in revenue totalling DM6.5bn.

The Lander are expected to oppose abolition of this tax unless they can be compensated by Mr Waigel's proposed changes to the inheritance or gift taxes which are also paid to them.

Under the current inheritance tax law, a surviving partner or spouse is entitled to inherit DM250,000 free of tax, with the next DM100,000 taxed at 5 per cent. The tax rate rises incrementally to 50 per cent.

Mr Waigel has proposed raising the tax threshold to DM1m, with the tax rate rising in DM100,000 bands, as before, up to a maximum tax rate of 25 per cent. Inheritance tax allowances for children would be increased from DM90,000 to DM750,000.

The states are this year expected to receive DM3.5bn from the inheritance tax. A finance ministry nfficial said any loss in revenue next year arising from this proposal could lead to the Bundesrat blocking the whole tax

### New Italian PM vows to fight inflation in reform package

By Robert Graham in Rome

Mr Romano Prodi, Italy's new prime minister, yesterday pledged to fight inflation and cut the hudget deficit to enable the country to take part in European Monetary Union in 1999.

Presenting the centre-left government's programme in an hour-long speech without a hinl of rhetoric, Mr Prodi warned that Italians would bave to make sacrifices to reform the state and put the country's finances in order.

But the 56-year-old economics professor from Bologna balanced this by saying that Italy bad an historic opportunity to enter a virtuous economic cycle if his government's measures were

He also committed Italy to rejoining the European exchange rate mechanism as soon as possible - though he gave no date. Apart from Europe. Mr Prodi

reform of the state with greater emphasis on devolution of

Daimler chief

ing the quality of education.

Buoyed by sentiment in the financial market that has welcomed his Olive Tree coalition's victory in the April general elections, Mr Prodl said be believed Italy's Interest rates could fall by 2-3 percentage points in the coming months. Italian rates, he reminded parliament, were currently 5.25 percentage points above those

Mr Prodi. who agreed to forge the centre-left Olive Tree alliance last year with no previous experi-ence of political office, was careful to address the concerns of all his allies in the coalition.

He went out of his way to placate members of Reconstructed Communism (RC), formed from the hard-core of the old Communist party, who have criticised him in the wake of the election for paying them too little attention.

to improve wages and fight for the interests of the less

However, Mr Prodi insisted that the Olive Tree's electoral

programme would be respected. RC refused to endorse this programme and is only agreeing to back the government in parliament - its members being essentlal to guarantee a majority in the chamber of deputies.

The premier, sworn in last Saturday, gave no details of next year's hudget or an impending correction to the 1996 hudget. Mr Prodi said he would attack inflation, currently at 4.2 per cent, and hinted he might have

to raise taxes to bring down the budget deficit to the target of 3 per cent of GDP - a requirement for monetary union. He warned of spending cuts and of holding ministerial hudgets to their 1996 levels,

but said he would first seek to cut fat from general expendi-ture before looking at welfare

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### Toys R Us accused

Continued from Page 1

speecb he referred to "cnncepts and ideas" not "visions", a word preferred by Mr Reuter and which now induces sniggers across corporate Germany.

For the first time several German banks had written to shareholders asking them to decide how the hanks should vote with the shares they hold on deposit for thousands of shareholders.

Continued from Page 1

Baer, director of the FTC's hurean nf competition, "by 1994, most of the major US toy manufacturers stopped selling popular individual toys carried by Toys R Us to the warehouse clubs".

In a statement anticipating the FTC's complaint, Toys R Us said on Tuesday it spent millions of dollars promnting toys throughont the year. "The warehouse

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clubs then come during the six weeks befire Christmas, withint making any snch investment, and select the few hottest selling

items, selling them at or below cost to create customer traffic. "Given that hehaviour, and Tnys R Us's contribution to the industry, we have told manufactnrers that we reserve nur unquestinnehle right to refuse to carry the same items as warehouse clubs."

### Japanese recruit 2,000 spies to monitor Asia crises

By William Dawkins in Tokyo

Japan is recruiting 2,000 spies from its military forces to bolster its ability to keep watch on putential fleshpoints in east

The new spies will be based from the start of next year in a new intelligence headquarters on a central Tokyo site once used hy the defunct Imperial Army, according to e plan edopted yes-terday by the upper house of parliament, the final legislative

stage.
The decision follows agreement between Mr Ryutaro Hashi-mnto, the prime minister, and US president Bill Clintnn in Tokyo last month that Japan should play a more active part in Asian reginnal security, within the lim-its of its postwar pacifist consti-

Since that summit, Mr Hashimoto has also revealed the government is considering acquiring Japan's first spy satellite.

If the new agency proves effec-tive, it would mark a significant break with Japan's dependence, for most of the postwar years, on the US for the hulk of its intelligence informatinn,

The move also highlights Tokyo's discreet progress towards a more independent foreign policy line.

Mr Hashimnto is a leading member of a new generation of politicians, also including Mr Ichiro Ozawa, leader of the opposition New Frontier party, which believes that Japan should shed some of its old inhibitions and take a slightly more assertive stance in international affairs.

The unit, simply named Intelligence Headquarters, will begin with a staff of 1,600 and an annual budget of Y6.5hn (S62m), according to the government's defence agency.
It will bring together the intel-

ligence departments of the army, navy, air force, the defence agency and the agency's technology unit. These will account for just over a third of the initial staff, dne eventually to increase to 2,000 intelligence officers, the agency said.

information will be material gathered by six electronic listening posts stationed across Japan. The focus will be on regional cri-

ses in east Asia. In recent years, Japanese intelligence has nften appeared poorly informed. The anthorities failed to detect Russian dumping nf low level nnclear waste off the north-east coast of Japan two years ago until alerted hy the local branch of Greenpeace, the

environmental lobby. They also had to be told by the US the same year of a North Korean test of a Rodong missile in the Sea of Japan. The 1,000km range missile was sald by Japanese defence officials at the time to be capable of reaching Tokyo.

### THE LEX COLUMN No added Valeo

The sale of Mr Carlo De Benedetti's 28 per cent stake in Valeo, the French car parts manufacturer, may sound a straightforward enough operation. Not so, however, in France, where the border between politics and business once again looks fuzzy. This may explain why Framatome, the government-controlled nuclear reactor maker, has expressed interest in the Valeo stake. despite the fact that there is no obvious fit between the two businesses.

Both the French government and car maoufacturers are unsettled by the prospect of a foreign takeover of Valeo. Given their close relationship with components makers, it is easy to see why the likes of Peugeot do not want to see them fall into the hands of its competitors. But a shift in the ownership of the business to an indepen-dent US company such as TRW would not necessarily constitute a threat to Europe's car makers. The components husiness is becoming increasingly glohal – indeed, car manufecturers have themselves been urging consolidation - and there is no reason why a nominal national identity should hamper vigorous competition. However, Peugeot's threat to withdraw business in the event of a US takeover is surely

likely to deter bidders. Still. Framatome seems an unlikely white knight. Although it claims its interest is strategic - it has already diversified into connectors - there is a lurking suspicioo that the motivation is political. Framatome is partly owned by Alcatel Alsthom, which is keen to buy Thomson from the government - and perhaps hopes that a helping hand over Valeo might be rewarded by favourable treatment

Italy

Mr Romano Prodi, Italy's new prime minister, is proving adept at telling the financial markets what they want to hear. And given a cabinet stacked with economists and former finance ministers, be is well placed to gauge both investors, and more importantly the Bank of Italy, which controls interest rate policy. His message of stable taxes, accelerated privatisation and a hardline approach to inflation is hardly original. But at least Mr Prodi is admitting that Italy needs to gel its books in order before making a move towards his holy grail of monetary

Italian governments have primised much in the past, but Mr Prodi appears to offer a greater chance of delivering. While he does not control a majority in the parliament, his push to give more power to the regious looks Valeo Share price relative to the

intended as an olive branch to the secessionist Northern League, which

1993

would make a powerful ally. The markets have reacted with enthusiasm to the evidence of a fiscally responsible government, and there is a risk of getting carried away. Mr Prodi has yet to reveal detailed proposals for achieving his economic goals. Meanwhile, the latest inflation figures are ahead of the 4 per cent level deemed by the Bank of Italy to he a barrier to interest rate cuts. Nonetheless, so long as Mr Prodi can offer a credible programme for curbing inflation, there is every reason to expect cuts of up to 2 percentage points by the end of the year.

#### Allders/BAA/Swissair

Allders shareholders must be pretty bemused. Why is their board planning to recommend a £130m bld from BAA for Allders' duty-free arm, when Swissalr appears eager to snap it up for £145m? The answer, it seems, is that BAA had painted Allders into a corner; by the time BAA delivered its offer, Allders had failed to extract a binding counter-offer from Swissair. And because of the unusual strength of its position, BAA had Allders over a barrel. Not only could BAA walk away, but it also held a trump card: the ability to terminate Allders' rights to run BAA's duty-free operations, This was always likely to turn the playing-field in BAA's favour, though Allders' footwork could have been nimbler. Even so, all is not yet lost; Swissair could well still bid more, in which case shareholders will presumably vote BAA's proposal down - and no harm will have been done, except to the credibility of Allders' board.

The real question is why BAA and Swissair are squahhling over such a

fragile business in the first place. Certainly, there are healthy profits to be made from duty-free retailing. But mostly they can be siphoned off hy airport operators - for 75 per cent of Allders' husiness this means an operator other than BAA – which can play different retailers off against one another. As a result, retailers' earnings are constantly at risk - even

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ignoring the real threat posed from 1999 hy European legislation. Even if BAA is not offering an extravagant price, its shareholders should be asking whether this kind of diversification really makes sense. If Swissair hids more for what will be a less profitable husiness, its own share-holders should be tougher still.

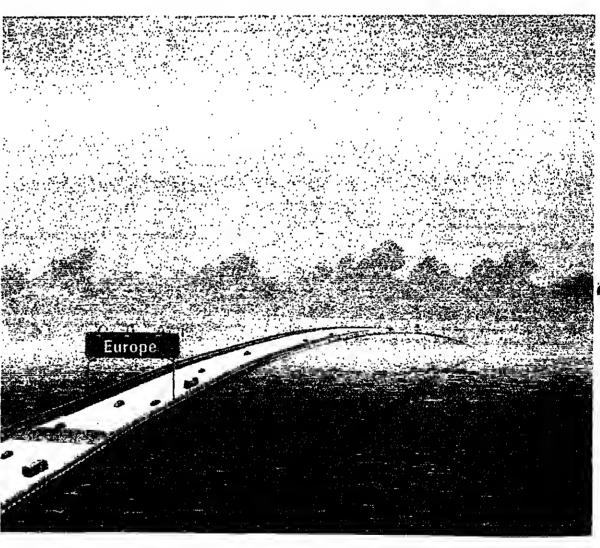
#### Executive remuneration

British executive remuneration schemes are still far from appropriate. HSBC's long-term incentive plan under which executives will receive shares if the banking group's earnings per share rise hy more than 2 per cent a year in real terms - is a case in point. The most worrying aspect is its 'all or nothing" element, as executives have little incentive to increase eps by more than 2 per cent real. The choice of eps as the performance yardstick is also questionable: not only can eps be manipulated; it is easy to boost eps while destroying the quality of earnings, which does shareholders no

While no remuneration scheme is perfect, hoards should hear several principles in mind. First, high rewards even in excess of £1m a year - are acceptable in return for top performance; but consistently poor performers should he sacked. Second, a sliding scale should be used rather than "all or nothing" rewards, Third, to keep top executives hungry, their basic pay should be much lower - perhaps around £100,000 a year.

The trickiest question is how to measure performance, given that eps is flawed. Total return - the combination of dividend and share price per-formance - is the yardstick that aligns executives' interests most closely with those of shareholders. Clearly, any company needs to be judged against the total return achieved hy a suitable group of peers. Still, given that share prices often lose touch with fundamental performance, other yardsticks should also be used. The most promising is the return on investment a company achieves - though that too requires careful measurement.

Additional Lex comment on Bass, Page 24



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matic (a» service in Germany on (+49) 211 9 44 83 70 to request a list of our worldwide network

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#### **Europe today**

Strong westerlies will direct moist, unstable air towards the British leles There will be a mixture of sun and cloud with showers in western and northern Scotland. Light rain will cross southern Ireland and southern England in the afternoon. Rain is expected in northern France, southern Belgium and Germany. High pressure will bring dry and generally sunny conditions to Portugal, Spain, southern France, Italy and Greece, Near gales are expected along the western coast of Greece. Showers and thunder storms will erupt over the eastern Balkans. Some of the thunder storms may be severe, especially in northern Greece and dry and sunny.

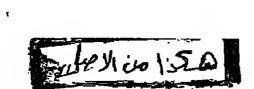
#### Five-day forecast

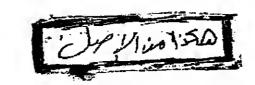
Plenty of rain is expected in the British Isles Iomorrow. It will spread east across central Europe on Saturday, Southern Scandinavia will be gool and wet. Spain and Portugal will stay sunny, Italy and Greece will remain warm and generally sunny with thunder storms over the



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**OTHE FINANCIAL TIMES LIMITED 1996** 

Thursday May 23 1996

#### **LEGAL DEFINITIONS** paralegal n. 1 one who provides advice

at great height (usu. 20,000 feet) 2 wordy legal document with many indented lines 3 a person trained in subsidiary legal matters. see ROWE & MAW: asap (ph 0171-248 4282)

Rowe & Maw LAWYERS FOR BUSINESS

#### INSIDE

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Terrugas.

#### Iberdrola in plan for 50% debt cut

Debts of more than \$11bn at Iberdrola, the Spanish

private sector electrical utility, are set to halve in the next three years, according to the company. Nediloyd records FI 15m loss in quarter

Nedlloyd, the Dutch shipping and transport group, reported a first-quarter net loss of Fl 15m (\$8.7m), down from Fl 77m profit after extraordinary items a

Victor resumes dividend after four years Victor, the Japanese audio maker, posted a sharp recovery in earnings and said it would resume dividend payments for the first time in four years.

**Computer Associates beats forecasts** Computer Associates, the US software group, reported a higher than expected 25 per cent rise in earnings to \$265.1m for its fourth fiscal quarter, as sales of its client-server software programs jumped 60 per cent. Page 22



Liberty, the UK retail and textiles group, is closing its lossmaking chain of 20 regional stores at a cost of £5m (\$7.6m). The decision, which followed a strategy review aimed at redressing several years of declining profits, will mean the loss of 350 jobs. The group also announced the appointment of Mr Andrew Garety, former finance director of The Boddington Group, the pubs and hotels company, as its new finance director. The £5m charge means the group, which had warned

that annual profits before exceptionals would not exceed £2.1m, will record a substantial loss when it

Kingfisher reinforces retail optimism Kingfisher provided further evidence that confidence is returning to the UK high street as the UK retail group announced a stronger than expected 6.4 per cent rise in first quarter like-for-like sales.

Angola prepares for diamond assault Until last July, some 4,000 garimpeiros (illegal diggers) worked the river valley at Catoca in Angola for diamonds. Today they have been pushed out and bigger plans are afoot: Catoca is about to host the first significant ettempt in Angola to mine kimberlite, the volcanic pipes where diamonds origi-

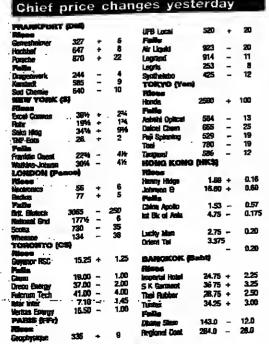
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**Market Statistics** 

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### **COMPANIES & MARKETS**

# Landi takes step up at Apple Nintendo

By Paul Taylor in London and

Mr Marco Landi, president of Apple Computer's European, Middle East and African operations, has been named chief operating officer of the troubled personal computer pioneer which last week unveiled a wide-rang-

Mr Landi,

Russia's capital

hall of mirrors

John Thornhill on the country's

strange debt-equities balance

apital markets can often act as mirrors

reflecting the main fea-

tures of a country's

underlying economy. But in Rus-

sia's case they are showing some-

thing decidedly odd. Either, it

seems, the economy is grossly

misshapen, or the mirrors them-

selves must have been borrowed

Perhaps it is too much to

assume rational expectations will

prevail in a country which will next month hold its first real

democratic elections for execu-

tive power in 1,000 years. The

wild political rumours and

alarms, which fly so freely

around Moscow, are bound to

jangle even the most hardened

But it still seems bigarre that

Russia's fledgling, if fast-develop-

ing, stock market has surged by 55 per cent from its low in March

at the same time as the yields in

the government debt market

Annualised yields on three-

month Treasury-bills (GKOs)

now hover around 130 per cent at

a time when the economy finally

appears to have turned the cor-

ner, the rouble is trading within

a stable band and the monthly

inflation rate has fallen to less

Part of the reason for the

wildly diverging trends in the

two markets reflects differences

in the political perceptions sur-rounding the presidential elec-

investor's nerves.

levels in the world.

than 2 per cent.

from the Moscow State Circus.

markets: the

egy outlined last week by Mr Gil Amelio, who took over as chairman and chief executive of the lossmaking company three months ago.
"We are now confident that we

have a clear vision, we have a implement that strategy," said

streamline its Macintosh product line and become "an internet-cen-

Investors in the equity market

have been attracted by the possi-

ble upside of a victory by Presi-dent Boris Yeltsin in the June 18 poll and the continuation of eco-

Those in the debt market, how-

ever, seem more fixated by the

downside that would follow the

election of the chief challenger,

Mr Gennady Zyuganov, and the

return of the Communist Party

to power. Seemingly, the only explanation for such high GKO

yields is that investors fear

Ms Beth Hebert, a Moscow-

based fund manager who runs

the \$55m Fleming Russian Secu-

rities Fund, argues the contrast-

profiles of the investors involved.

represent two very different pools of capital," she says. "The

equity market is driven by for-

market is dominated by Russian

Foreign equity market inves-

tors have lately been cheered by

a series of opinion polls showing

6 strong rise in support for Mr

Yeltsin and are prepared to bet a

small slice of their portfolios on

If the president is re-elected

and the present political uncer-

tainty resolved, these investors

believe that most of the elements

for a spectacular long-term

equity boom will have fallen into

the outcome.

nomic reform.

major discontinuity that affects every aspect of the PC business. Mr Landi said. "For Apple the battle against Windows and OS/2 (PC operating systems from Microsoft and IBM) is over. The Internet is now the platform and we must make sure that we capi-

untapped market of consumers who do not currently use home computers, Mr Landi said. In his new role, Mr Landi said

he would focus on three areas: building business processes, channel management and the creation of the right products for Apple's three market segments. home, education and enterprise.

Europe had fallen sharply in the first quarter, but said this mostly reflected problems in one segment of the company's busine rather than an overall slump in

Mr Landi's appointment is the first of several senior management jobs that Mr Amelio aims to fill over the next few weeks. Last week he said that he planned to draw both from within Apple and from outside the company in putting together a new management

### sales slide in tough market

Intense competition in the video games market continues to batter Nintendo, Japan's predominant manufacturer of the games. Yesterday it unveiled its third consecutive set of annual financial results showing falling sales and operating profits, and warned that the current year would be no better.

In the year to March 1996, consolidated sales slid 15 per cent to Y354.2bn (\$3.32bn) from Y415.7bn a year earlier, and operating prof-Its declined 24 per cent from Y94.9bn to Y71.9bn. The poor performance was broadly in line with expectations.

Pre-tax profits, however, were boosted by a foreign exchange gain of Y31.5bn because of the yen's weakness in the latter part of the year, and rose 61 per cent to Y118.3bn from Y73.4bn.

Weak sales, inadequate supply of some popular products and the defection of a software house were among the difficulties faced by Nintendo in the past year. In addition, Nintendo was left flourdering without a successful competitor to the advanced 32-bit games machines launched by rivals Sega and Sony. Nintendo also failed to supply sufficient software for its 16-bit machines during tha crucial Christmas shopping period because of difficulties in securing parts necessary for software cartridges.

But particularly damaging has been the number of independent software developers signing up with competitors. For example, Square, which had produced popular software exclusively for Nintendo, moved to Sony.

Nintendo faces a battle this year as it attempts to recover lost ground with the launch of its 64bit games machine. It will also launch e 64-bit version of its popular Mario Brothers series, which has sold 11m units since 1990. "It all depends on how word-of-mouth is in the first Mario software is," said Mr Rei-nier Dobbelmann, industry ana-

lyst at SBC Warburg in Tokyo. Mr Dobbelmann believes that although Nintendo has lost the exclusive partnership of a highly rated software developer, it has its own in house software strength and could recover

in the current year, the company is forecasting a fall in recurring profits, before extraordinary ltems and tax to Y85bn, and in net profits to Y48bn on slightly higher sales of Y385bn.

# tric company". The Internet is a products would address the Apple's overall market share in

Louise Kehoe in San Francisco

ing restructuring programme.
In his new role Mr Landi, who joined Apple in March last year after 25 years with Texas Instruments, will be responsible for implementing Apple's new strat-

leader who has set out a clear strategy. My role is to make sure we have the right organisation to

Last week, Mr Amelio announced that Apple would

Apple plans to launch a new range of "digital appliances" that will provide internet access and other personal computing functions in a unit that can be

talise upon it."

cessfully restructuring Apple's European operations over the

past 15 months and reducing

Mr Landi is credited with suc-

**Odd** reflections of Yeltsin's election chances 1200 -1000-.. 800 --800

Russia's vast privetisation programme has already transferred ing performance of the two markets reflects the different risk thousands of asset-rich capitalhungry companies to the private "Investors in the equity market sector, while their valuations still and investors in the GKO market appear absurdly low. The market value of Russia'a

top 200 companies, which include several oil companies with similanguishes at about \$22bn - or less than the value of the Smith-Kline Beecham pharmaceuticals Many investors ective in

emerging markets appear to have been won over to Russia's potential attractions. A survey of 174 US and European emerging market fund managers, conducted by Russia's Federal Securities Commission in February, found that 42 per cent were interested in buying Russian securities within the pext six months. It has also become a lot easier to do so after

some Russian companies, such as Lukoil, the large oil concern, successfully issued proxy shares in New York. Mainstream western fund managers can now bny American Depositary Receipts (ADRs), backed by Lukoil shares, in New York without warrying so much about the custodial risks of

But the barely suppressed euphoria that surrounds the equity market sharply contrasts with the bleaker picture being painted in the government debt market - which is still mainly

closed to foreigners.
Founded in 1993, the GKO market has developed astonishingly quickly and is now used by the government to fund more than 40 per cent of its budget deficit. But it has come under great strain this year as the government has aggressively tried to raise additional funds to finance Mr Yelt-

#### sin's lavish pre-election spending

Russia's commercial banks are demanding an astronomic risk premium to lend the government money. Despite the potential returns, many of them seem more tempted to "park" their money off-shore until the politi-

Alliance-Menatep, a Russian investment bank, estimates that GKO vields, based on economic fundamentals, should only be about 50 per cent in "normal" political conditions.

"If Yeltsin were re-elected money would come flooding back into Russia and I would expect GKO yields to fall dramatically," says Mr Tom Reed, fixed income analyst at Alliance-Menatep. It is little wonder, then, that Russia's banks are lining up so

squarely behind Mr Yeltsin's re-

strongly.

### Framatome emerges as potential Valeo buyer

By David Owen In Paris

Framatome, the French nuclear plant group, has emerged as a possible buyer of a strategic stake in Valeo, the automotive components company.

Framatome said it had been thinking about making a "major diversification" and was interested in examining information on Valeo, the world's 17th-largest vehicle components company. Mr Carlo De Benedetti, the Ital-

ian industrialist, owns 27.7 per cent of Valeo through Cerus, his French holding company. Cerus last month confirmed it was pre-pared to sell this stake at the right price. Yesterday's developments

came 10 days after Mr Jacques or 3 per cent, in Paris yesterday,

Calvet, head of the Peugeot-Ci-troën vehicle group, hardened his threat not to renew contracts with French company Valeo if it fell into foreign hands. Mr Calvet said his views were shared by Mr Louis Schweitzer, chairman of Piech, head of Germany's Volkswagen. The three companies account for more than 40 per cent

of Valeo's sales. His comments followed reports that two US companies - Delphi, the components arm of General tions with Mr De Benedetti.

Motors, and TRW, the aerospace and components group - were interested in Valeo. Neither would confirm it was in negotia-Cerus shares climbed FFr2.90,

closing at FFr100.90. Valeo gained FFr1.30 to close at FFr286. At this level, Cerus's stake in Valeo is valued at FFr5.55bn (\$1.07bn). Observers believe Cerus could be tempted to sell for about FFr7bn. This would be within range for Framatome, which yesterday put its liquid assets at between FFr7on and FFr8on. The company already has ties

with the automotive industry through its connector business, which accounts for about a quar ter of group sales. These reached FFr20bn in 1994. Valeo's turnover in the four months to April 1996 was FFr9.97bn, up 17.3 per cent on the same period last year. In 1995, net income was FFr1.01bn on sales of FFr25.23bn.

### Spain signals intention to block Azucarera stake sale

By Tom Burns in Madrid

Spain's new centre-right government has served notice It will block the sale of equity in General Azucarera, the second largest domestic sugar producer, to Générale Sucrière of France. The move mirrors the previous Socialist government's stance. Ms Loyola de Palacio of the rul-

ing Popular Party, who was sworn in as agriculture minister two weeks ego, said yesterday she was "radically" opposed to an equity purchase by the French company because it threatened a "strategic sector". Ms de Palacio's stance recalls

is likely to give an unexpectedly

negative signal to foreign inves-tors as it appears to undermine the pro-business image cultivated by the incoming administration. "If Azucarera is the litmus test of the new government's approach to private sector com-

panies operating in the free mar-ket, then we will have to rethink our view of how the new government intends to behave," said a senior Madrid analyst.

Ms de Palacio's remarks will come as blow both to Banco Central Hispano, which is seeking to

cut its 49 per cent stake in Azucarera, and to the board of Azu-carera, which had identified Générale Sucrière as the ideal buyer. the one taken by her Socialist The French company controls 20 predecessor. Mr Luis Atienza. It per cent of the Spanish producer through a stake syndicated to

shares in Azucarera owned by Tate & Lyle of the UK.

Two years ago Mr Atienza forced BCH to drop the sale of 20 per cent of its Azucarera equity to Générale Sucrière for Pta20bn

Ms de Palacio said she would do everything in ber power "to ensure that Azucarera remains in Spanish hands . . . sugar is a stra-

tegic national interest."
Two months ago BCH said it was close to an agreement whereby Générale Sucrière and Acor, a demestic sugar beet cooperative, would jointly control Azucarera with 25 per cent of the aquity each. This deal would have increased the French comnany's stake in Azucarera, but it is now likely to be shelved.

BHF Charterhouse CCF



Duracell International Inc.

has acquired

Eveready South Africa (Pty) Limited

Hanson PLC



Charterhouse Bank Limited and Charterhouse Inc. acted as financial advisers to Duracell International Inc. in this transaction



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### Iberdrola in plan to halve debt

By David White in Madrid

Dehts amounting to more than \$11bn at the Spanish private-sector electrical utility Iberdrola are set to be halved in the next three years, according to plans by the company.

The largest reduction is due in July this year when debts of Pta539hn (\$4.2hn) are wiped off tbe balance sheet under a government-backed plan for converting loans linked to balted nuclear plants into securities

In addition, Mr lñigo de Oriol, chairman, said the company aimed to trim its debt burden by betwean Pta70bn and Pta80hn a year.

Iberdrola, the second-largest group in the sector in Spain after the state-controlled Endesa and the largest

producer of hydroelectric Pta729bn of debts accumulated power, bad total debts of Ptal,461hn at the end of the first quarter.

This was Pta12bn less than at the end of last year and Pta340bn below the peak of more than Pta1,800bn at the end of 1993.

A sharp fall in net financial costs from Pta123bn to Pta94bn last year helped the group to achieve an increase of more than 22 per cent in its attributable net earnings to Pta85hn. Of the outstanding bonds and bank loans at the end of the year, 28 per cent was in foreign currencies.

Iberdrola was the main company affected by a freeze on new nuclear power plants imposed by the government 12 years ago under a reappraisal of Spain's energy needs. It has in relation to the mothballed reactors.

Under the nuclear moratorium scheme, a surcharge of 3.54 per cent on electricity rates has been allocated to covering the cost to companies involved in the five reactors, which were are varying stages of

Last month Iberdrola and three other electrical companies signed up to a plan for converting Pta715bn of debt into variable interest securities through an international bond issue and two bank credits.

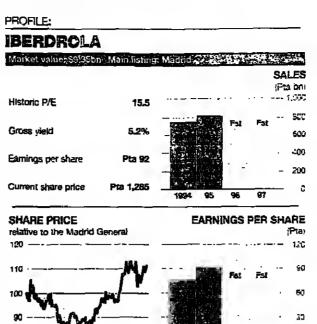
construction

The scheme, which will enable the companies to recover funds for repaying their nuclear dehts on July 4. implies a reduction of more than 20 per cent overall in the Bhout Pta3.300bn.

The operation, which carries government guarantees. is underwritten by a group of six banks led hy Banco Bilbao Vizcaya, which is the higgest shareholder in Iberdrola with a 10.7 per cent stake.

At the same time as reducing its debt, Iberdrola aims to strengthen its own resources (capital and reserves) by Pta25bn to Pta30bn a year. It forecasts a debt-equity ratio dropping from 1.5 last year to 0.8 this year and 0.6 in 1998.

Mr Javier Herrero, managing director, said the company aimed at a "prudent" rise in dividend payments, adding that the rate of increase would be "always below the growth of the business". It has proposed a Pta65 dividend for 1995, an



### Daimler warns of further restructuring despite upturn

By Michael Lindemann in Stuttoart

Daimler-Benz, Europe's largest industrial conglomerate which reported record 1995 net losses of DM5.7hn (\$3.7hn), yesterday said sales in the four months to April bad risen 9 per cent to DM32.1hn, but warned that "further, perhaps drastic measures" would be needed to recover the profitability of past years.

Addressing about 10.000 shareholders. some 40 of whom made angry interventions because the dividend had been cancelled for the first time in the company's history, Mr Jurgen Schrempp, chairman, said he expected sales for the full year to be "significantly higher" than 1995 sales of

DM97.4bn. He declined to specify what decisions would be needed to round off the restructuring begun with the disposal of Fokker, the closure of AEG and the planned sale of Dornier, the maker of turboprop regional aircraft. Mr Schrempp indicated, however, that businesses at Debis, the leasing, software and telecoms division, may well be expanded through new ventures. He also declined to give details about whether Daimler-Benz would

exercise an option to take full control

of Adtranz, the railway equipment

joint venture which it founded with

Asea Brown Boveri, the Swiss-Swed-

ish engineering group. Both groups hold 50 per cent in Adtranz.

Mr Manfred Gentz, finance director, said the group had no plans for a rights issue but was considering the issue of convertible bonds or bonds with warrants in coming months.

Mercedes-Benz, the car and truck division, raised sales hy 8 per cent to DM24.7bn, despite what it called a "very weak economic environment". Sales at the passenger car division were driven by strong demand for the new E-model, which registered 93,700 sales during the period under review, a rise of 53 per cent.

Commercial vehicle sales rose 4 per cent to DM10.2bn, but Mr Schrempp warned that new orders already indicated that such sales growth could not be maintained.

Dasa, the aerospace division which booked the bulk of last year's losses. saw sales rise 7 per cent to DM2.9hn, helped mainly hy a strong performance at Airbus Industrie, the European aircraft consortium in which Dasa holds a 37,9 per cent stake. Airhus hooked 132 orders in the four months to April, more than it booked in the whole of last year.
Turnover at Dehis rose 17 per cent

to DM4.1hn with the mobile phone services unit reporting a 70 per cent sales increase.

The three businesses left over from

and transportation division which was wound up last year, increased sales 23 per cent to DM2.2hn.

• Mr Heinz Dürr. Deutsche Babo chairman, said the group achieved sales of DM7.Shn (85.06on) in the four months to April, up 4.7 per cent from the year earlier, with loog-distance traffic rising 5 per cent and local traffic up 5.3 per cent. AFX News reports from Frankfurt.

Mr Dürr said revenue from long dis-tance traffic amounted to DM1,6bn, while local traffic revenue totalled DM3.6bn, In contrast, revenue from goods traffic fell 3 per ceot to

GERMANY'S MORTGAGE BANKS

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BAYERISCHE VEREINSBANK AG,

#### CEZ profits slip in first term

Profits at CEZ, the Czech electricity utility, fell slightly in the first quarter despite higher reveuues, reflecting lower prices paid by regional distributors and a rise in operating costs. In the three months to March 31 CEZ earned pre-tax profits of Ket. (5bn (\$145m), down from Ket.37hn in the same period last year. Operating revenues rose 14 per cent to Kc16.37bn, on an international accounting standard basis. Net profits fell from Kc3.88bn to Kc3.66bn.

FINANCIAL TIMES THURSDAY MAY 23 1996

CCF to revamp

board at subsidiary

The new chairman of Crédit Foncier de France, the troubled

one of its subsidiaries during an annual general meeting

dominated by criticisms from irate minority shareholders.

property lender, yesterday pledged sweeping board changes at

Mr Jérôme Meysonnier, appointed by the French state, had

previously announced losses of FFri0.8bn (\$2.07bn) for 1995.

He planned to re-balance the board of Société des Immeubles

de France, its 55 per cent-controlled subsidiary, to give more

It also emerged during the meeting that three of the

owned hy Immeuhles de France. Mr Georges Bonin, its

company's directors benefited from rental accommodation

chairman. Mr Denis Vilarrubla, managing director, and Mr

Gérard Eldin had the use of apartments in central Paris for

this was in line with the rental policy for all tenants in the

by stressing the hall had been hired for only 90 minutes.

which they paid at an average FFr65 per sq m. They stressed

Mr Bonin triggered resentment at the start of the meeting

which led to angry exchanges.

Ms Colette Neuville, head of the association for the defence of the minority shareholders, acting for a number of investors,

called for the resignation of those members of the board who had a voted for a proposed merger with Immeubles de France and Crédit Foncier last September. Crédit Foncier is now technically hankrupt. She said the hoard's decision had been against shareholders' interests. Credit Foncier's shares had

since fallen sharply and asset valuations had been shown to be

which directors had supported the merger, and refused to put

meaningless following FFr13.6hn in new provisions unveiled

last month by Mr Meysonnier. Mr Bonin would not name

wews digest

voice to minority shareholders.

company's properties.

Operating costs rose sharply to Kč10.4bn and included a 70 per cent rise in purchases of additional power supplies from outside the company. Demand rose 10.4 per cent due to an exceptionally long and cold winter, and CEZ increased its share of the market from 76 per cent to 79.6 per cent. CEZ officials blamed the lack of a clear tariff policy between the company and the country's eight regional electricity distributors for the drop in earnings. Mr Gabriel Eichler, CEZ chief financial officer, said only higher output offset the profits slump caused by lower transfer prices with the distributors.

CEZ did not alter its forecast of unchanged net profits of Kč9,3bn and a rise of 4 per cent in pre-tax profits to Kč15.9bn for calendar 1996. But it said meeting these forecasts depended on getting a minimum annual increase of 1 per cent in the price It charges the distribution companies.

Vincent Boland, Prague

Coaca terms : For a

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#### Clariant sales 'stabilising'

Clariant, the speciality chemicals group spun off by Sandoz last year, said sales were stabilising after a year of decline caused mainly by the Swiss franc's strength. Turnover fell 8 per cent last year to SFr2.15bn (\$1.7bn). This contraction continued in the first quarter, with sales down 6 per cent, but business had "picked up noticeably" in March and April.

In the first four months, sales fell 2 per cent in Swiss francs and were static in local currencies. Meanwhile, operating profits had risen by 3 per cent to SFr106m last year, because of cost-cutting. The company was aiming for double-digit growth

#### Kirch buys Telepiù stake

Mr Renato Della Valle, the Italian entrepreneur, said he had sold his 23.4 per cent stake in pay television group Telepiú to Germany's Kircb group for L250bn. AFX News, Mila

CORRECTION

#### **Bankers Trust**

A full settlement involving all issues was reached earlier this month between Bankers Trust and Procter & Gamble in their two-year dispute concerning two derivatives transactions. A contrary impression was erroneously given in the article on risk management on page 7 of the survey on International Corporate Finance yesterday.

#### st.george U.S. \$75,000,000 Floating Rate Notes due 2000 Morace is hereby given that for the Interest Period 22nd Mar. 1996 to

2nd August, 1996 the Notes will carry a Rate of Interest of 5.95% per annum. The Interest Amounts parable will be U.S. \$15200 per U.S. \$10,000 Note and U.S. \$1,520 56 per U.S. \$100,000 lote. The Interest Payment Date will be 22nd August, 1996. Bankers Trust

Company, London

Agent Bank

### The Chase Manhattan Corporation U.S. \$250,000,000 Floating Rate Subordinated Notes due 2000

the three months 22nd May, 1996 to 22nd August, 1996 Notes will carry an interest rate of 5.5625% per amount with a pon amount of U.S. \$142.15 per U.S. \$10,000 principal amount, payable on 22nd August, 1996. Bankers Trust

Company, London

Agent Bank



Subordinated Floating Flate
Notes 2001
For the three months from May
22, 1996 to August 22, 1996 the
Notes will carry an interest rate of
6.225% p.a. On August 22, 1996
Interest of \$78.24 will be due per
\$5,000 Note and \$782.38 in
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You want a



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why international bond investors should take a close look at German Pfandbriefe. the most obvious is safety. Issued to refinance mortgages or loans to the public sector, Pfandbriefe - which account for 40 % of the DM 3 trillion German bond market - are governed by a strict legal framework. For example, they can only be issued by specially authorized banks which themselves are also liable for each issue. Moreover, Pfandbriefe must always be covered by separate pools with at least identical yields and maturities. What's more, Pfandbrief issues are monitored by a state-appointed trustee. The record for investor protection? Pfandbrief investors have never missed an interest or principal payment. And these bonds generally offer a yield pick-up over Bunds. Market transparency is enhanced by the PEX Index. So if your priorities call for safety, yield, a stable currency and longterm value, consider the Pfandbriefe issued by Germany's private mortgage banks.

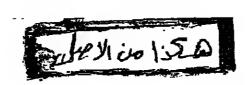
For further information about German Pfandbriefe please contact The Association of German Mortgage Banks (VDH) in Bonn, Fax (228) 9 59 02 44.

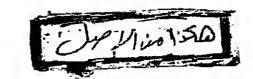
The German Pfandbrief

Solid from the ground up









#### COMPANIES AND FINANCE: EUROPE

### 'Nedlloyd upbeat despite Fl 15m first-quarter loss

By David Brown in Amsterdam

Nedlloyd, the Rotterdam-based shipping and transport group, yesterday reported a net loss of Fl 15m (\$8.7m) for its first quarter ending March - down from the profit of FI 77m after extraordinary ltems it managed during the same period a

Nedlloyd's performance was roughly in line with analysts' expectations and the shares closed up 60 cents at Fl 37.90. The Dutch group reiterated its view that although 1996 would be a difficult year especially in light of the con-

77.7

tinuing weakness in the oceangoing shipping market - It nevertheless expected to close the year at break-even or with s small profit before extraordinary gains. This full-year operating

profit would be supplemented by additional extraordinary income related to its sale of an offsbore drilling subsidiary.

Meddrill was sold to Noble Drilling Corp of the US in cials.

April for \$300m in cash plus 5m Noble shares. This gain will be posted in the second

The Fi 15m first-quarter net dinary gains. During the com-parable period in 1995, a profit of Fl 20m on "ordinary operations" was supplemented by extraordinary income of

First-quarter turnover was F11.67bn, compared with Fl 1.64bn s year earlier. Of this, F1909m was generated by the transport division and F1687m by ocean shipping.

Neddrill and other smaller units posted operating income of Fl 15m against Fl 3m for the first three months of 1995, due largely to higher rental income and high capacity utilisation of drilling equipment.

Nedlloyd's European trans-port and distribution arm reported a profit of Fl 14m, down from Fi 17m in the comparable period. This decline was sttributed to weakness in Nedlloyd Road Cargo/FTL-Spe-

By far the hardest hit was Nedlloyd's ocean shipping divi-sion, where results fell from a profit of F124m to a loss of F114m.

This figure was struck after taking account of a Fl 30m profit from the sale of several roll on/roll off vessels by Nedlloyd Lines.

Volumes Were stable but shipping tariffs declined during the period. Adverse currency movements trimmed another Fl 10m off the divi-

Nedlloyd told sharebolders that slight glimmerings of an improvement in the ocean shipping market appeared late in the first quarter, but added that the market was unpredictable and that the year as a whole was likely to remain

On the other hand, it expected the European transport and distribution arm would likely turn in a better full-year net result against the background of a continued improvement in its German Unitrans

### Ifil beats forecasts for year

Ifil, the Agnelli family's industrial holding company, best analysts' expectations with s net consolidated profit for 1995 of L321.5bn (\$206.4m), against L280bn in 1994.

The group, which has just increased its stake in Flat, the Italian sutomotive and industrial group, has proposed s dividend of L120 per ordinary share, and L140 per savings share, against L110 and L130

Ifil is one of two quoted bolding companies controlled by the Agnelli family, founders of the Fiat group. It is in turn-controlled by Ifi, the other holding company. Last week, Ifi and Ifil confirmed they would buy a 2 per cent stake in Fiat from Alcatel Alsthom of France. Tha L350bn purchase will take Ifi's direct stake in Fiat to 19 per cent and Ifil's

The holding company said that last year the combination of profit and dividends from its main investments, after financial charges, had increased to

L235bn, against L175bn in 1994. Apert from the Fiat stake. Ifil also owns stakes in Groupe Saint Louis and Danone, the French food groups, La Rinascente, the Italian retailer, Unicem, the cement group, and Accor, the French hotelier.

Ifil said it had realised substantial capital gains on a number of disposals including the sale of 2.2 per cent of Dan-one. This enabled Ifil to depreciate fully its investment in Unicem, made during 1994 and 1995, taking a L121bn extraordinary charge into the 1995

The bolding company, which is headed by Mr Umberto Agnelli, also confirmed it had almost eliminated debt, which stood at L604bn at the end of

net equity increased to L3,430bn, against L3,236bn a year earlier. Ifil's parent company increased net profit from L122bn to L130bn.

· Separately, Enel, the Italian state-owned electricity company, announced a net profit of L1,147bn for 1995. against L1,033hn in 1994. The company, which is earmarked for privatisation, is to pay a dividend of L85 a share to the Italian treasury, its sole shareholder

Electricity sales at Enel increased 3.1 per cent during the year, compared with a 3.5 per cent rise in 1994. The group said it aimed to establish a wholly-owned subsidiary to handle its overseas activities.

Privatisation of Enel will be one of the main objectives of the recently appointed centreleft government of Mr Romano Prodi, which must also establish a regulatory anthority for

### Salomon takes innovative route to recovery

Vulnerability to weather patterns has prompted the French sports goods group to diversify

Salomon takes off

Six years ago lack of snow sent Salomon, one of the most famous names in winter sports, plunging into the red. Between 1989 and 1991 three consecutive poor winters in Europe and North America triggered cumulative losses for the Annecy-based group of more than FFr300m (\$57.5m).

The world's largest manufac-turer of ski bindings has devoted much of the past five years to trying to ensure the vagaries of global weather can never again upset it so badly. The fruit of its efforts should

be apparent today, when it unveils its annual results. They are expected to show a significant jump after the steady progress since 1992. The losses, though attribut-

able in large part to a 20 per cent decline in the winter sports equipment market, were exacerbated by two other factors over which management did have some control.

The company - which exports about 90 per cent of its FFr4bn annual turnover - was hit by the strength of the franc. Ms Anne-Marie Berrette, group secretary, estimates this cost Salomon FFr100m; the group was hedged against fluctuations in the dollar but not the yen, she says. Japan is comfortably the company'a largest single export market.

More seriously, the group also suffered a catastrophic 30 per cent decline in 1990-91 in sales of its Taylor Made metalwood golf cluhs. These bad soared from about FFr70m wheo Salomon purchased the company in 1984 to more than FFr1bn in 1989-90.

But suddenly, sales stalled -partly because of vigorous new competition. Taylor Made had no new product with which to restimulate demand. "We

need to launch a new product," says Mr Jean-François Gautier, Salomon chief executive.

Mr Gautier had arrived in May 1990, just as the full extent of the group's problems was becoming clear. He had been headhunted from the consumer products arm of Thomson, the electronics group, by Mr Georges Salomon, the

group's founder. His blueprint for making the group less vulnerable: is founded on diversification. Under his lesdership, the group has branched into hiking boots (in 1992), hicycle compopents (in 1994), and snow-boarding (in 1995). It plans to start mass producing roller

Mr Gautier's medium-term aim is to derive as much turnover from summer sports as from winter. He believes summer sports will continue to grow faster than their winter counterparts. If present trends continue, it looks like alpine skiing may in 1996-97 secount for less than 50 per cent of group sales for the first time. Salomon's diversification is

based on its ability to create genuinely innovative products capable of transforming the markets into which they are

ver since this ski bindings specialist started diversifying its progress has been powered by design or technology that set its products spart. The best-known examples are its rear-entry ski boot launched in 1980 and the so-called "monocoque" ski, mads from a single mould, which first appeared in 1990. Innovation will be an equally

important feature of Salomon

roller akates. "We won't

1995-96 on the back of this Such an approach time-consuming and expensive: the group spends 6 per cent of turnover on research and

Salomon's golf club sales

bave meanwhils recovered,

thanks to the the so-called bub-

ble shaft, an innovation which

lowers the centre of gravity of

the club and increases the club

head's speed. Golf club sales

rose 50 per cent to FFr1.15hn in

between a decision to attack a new market and the launch of the first product. Most companies would come

under pressure to cut corners and speed up this development process. But Salomon has the luxury of a family bolding company that still owns nearly 40 per cent of the group's capital and 55 per cent of the voting rights.

Mr Gautier'a biggest gamble

1995 of s new range of multipurpose leisure footwear that hs describes as the "fourwheel-drive" of the shoe sector.

This will mean taking on giants of the leisure footwear sector, such as Nike, Adidas and Reebok. If this prospect worries Mr Gautier, he does not show it. If the others have the edge in sheer size, he says, Salomon has the "technologi cal savoir faire".

he company says sales of the new shoes, which retail at FFr500-FFr600 a pair, have "started well". It is aiming to lift non-ski footwear aales from 420,000 pairs in 1995-96 to 645,000 this year.

Although Salomon's recovery has been impressive, Mr Gautier acknowledges problems remain. The winter sports market, long the group'a mainstay, is, he says, in "s bit of s crisis". The number of people visiting ski resorts is stabls but they are "doing less and less alpine skiing and more and more other things like

snowboarding".

Although Salomon plans to profit from this new market, Mr Gautier says the trend nonetheless poses the company problems because "it means we will need to manufacture more and more different products" While this might favour large companies such as Salomon in the long run, for now, he says, the situation is "delicate".

From a financial perspective however, the group has seldom looked sturdier, being virtually debt-free and with FFr700m of cash in the bank. "We could make an sequisition of up to FFr1.7hn if we wanted to," says Mr Gautier. "That's nice to know, even if we don't take advantage of it."

David Owen

### 1994. The group's consolidated

Komerční Banka, the leading Czech commercial bank, yes terday reported net profits of Kcs2.26bn (\$54.2m) for the three months to March 31, a 54 per cent rise on the same level last year according to interna-

of a global depository receipt offering and a \$250m eurobond issue, said the jump in profits was the result of increased incoma from foreign exchange and securities operations. Net interest income, on the other hand, fell 8.6 per cent in the

same period last year.

The bank said the quality of its loan portfolio improved. with the portion of standard loans in its total lending portfolio rising slightly from 61 per cent to 61.9 per cent.

The total level of reserves for bad debt and general risks was Kcs29.6bn and "fully covered all potential risks", the bank said. Loan growth expanded by 6.3 per cent, with loans out-standing at Kcs231bn.

Komercni's balance sheet totalled Kcs398bn at the end of the quarter, a rise of 26 per cent on the figure at the end of 1995.

ures continue a trend of good results seen from Czech banks in the second half of last year. The banking sector has been the target of heavy interest from investors since the start of the year in the expectation that the worst of loan loss provisions is behind the industry.

Analysts noted the growing importance of non-interest income to Komercni, which is seeking fresh areas of revenue and profits as interest margins continue to fall, its net interest margin in the quarter was 3.7 per cent, against an average of 4.37 per cent in 1995 and 5.63 per cent in 1994.

#### Komerční Banka ahead 54% quarter compared with the Komerčni's first-quarter fig-By Vincent Boland in Prague

tional accounting standards. The bank, which last week completed the second tranche

> NOTICE TO HOLDERS OF THE 71/4 PER CENT. CONVERTIBLE SUBORDINATED BONDS 2007 (THE "BONDS")

NOTICE is hereby given that, in connection with the proposed merger ("Merger") between Royal Insurance Holdings plc (the "Company") and Sun Alliance Group plc ("Sun Alliance"), proposals have been made to the holders of the above-named Bonds ("Bondholders") by the Company. The proposals are contained in a letter dated 22nd May, 1996 to the Bondholders, copies of which are available from the offices of the paying agents specified below. The Merger will be effected by means of a scheme of arrangement under section 425 of the Companies Act 1985 in relation to the Company (the "Scheme"), under which all of the existing issued share capital of the Company will be cancelled and re-issued to Sun Alliance. Under the Scheme, Sun Alliance will issue to former shareholders of the Company 1,067 new ordinary shares of 25p each in Sun Alliance (to be renamed Royal & Sun Alliance Insurance Group plc) ("New Shares") for every 1,000 ordinary shares of 25p each in the Company ("Royal Insurance heres") then held.

OF ROYAL INSURANCE HOLDINGS PLC

The terms and conditions of the Bonds provide, inter alia, that each holder of a Bood will have the right to convert his or her Bonds into shares in the Company at any time. However, Bondholders will receive more shares in the Company if they convert their Boods within a period of 60 days after the Scheme becomes effective than if they exercise their conversion rights before or after such 60 day period. Notice of the commencement of this period will be published in the Financial Times. It is expected that the Scheme will become effective on Friday, 19th July 1996 subject, inter alia, to regulatory clearances and the sanction of the Scheme by the High Court. The Company has proposed a resolution to its shareholders to amend its articles of association so that Bondholders who convert their Bonds after the Scheme becomes effective will automatically receive 1,067 New Shares for every 1,000 Royal Insurance shares resulting from conversion. An appropriate form of conversion notice is available from the offices of the paying agents

An interim dividend is expected to be paid to holders of New Shares in the second half of 1996. Although the record date for this dividend has not yet been fixed, it is anticipated that Bondholders who convert their Bonds during the 60 day period referred to above should

receive this dividend. The Board of the Company unanimously recommends that Bondholders exercise their conversion rights as soon as practicable after the Scheme becomes effective so as to benefit from the enhanced usion terms referred to above. The Board of the Company, which has been so advised by Baring Brothers International Limited, considers this proposal to be fair and reasonable.

Bankers Trust Company, London EC2A 2HE

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Edis

PAYING AGENTS Bankers Trust Luxembourg SA. PO Box 807, 14 Boulevard F D Roosevelt, L-2450 Luxembe

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ne Directors of the Company accept responsibility for the information communed in this notice. To the best of the towledge and belief of the Directors of the Company two have taken all reasonable care to ensure that much is the set the information contained in this notice is in accordance with the facts and does not ornit anything likely to affect

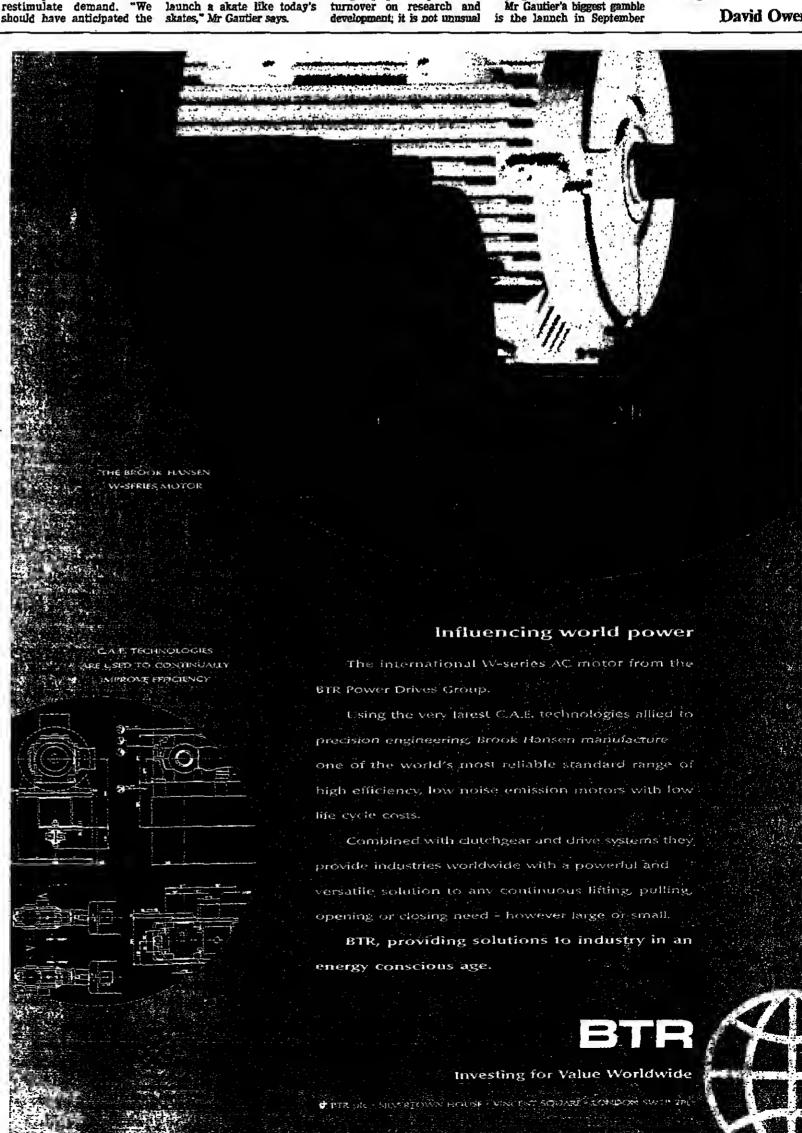
the import of such information.

Bering Brothers International Limited, which is regulated by The Securities and Futures Authority Limited, is acting Bering Brothers International Limited, which is regulated by The Securities and Futures Authority Limited, is acting for Royal Insurance Holdings plc for providing the protections afforded to customers of Baring Brothers other than Royal Insurance Holdings gavice in relation to the Merger.

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The New Shares to be issued under the Scheme and pursuant to the currence of conversion rights under the Bonds.

FOR the workers to be more than a second to be pursuant to the extreme of conversion rights under the Bonds have not been and will not be registered under the United States Securities Act of 1953 (as amended) nor under the thes laws of any state of the United States and they not be offered, sold or delivered, directly or indirectly, in or into the United States except pursuant to an exemption therefrom.



### Victor resumes dividend after four years

1995 business year.

By Emiko Terazono in Takyo

Victor, the Japanese audio maker, posted a sharp recovery in earnings on the back of brisk sales of its digital pocket cameras and high-end VCRs, the yen's depreciation, and cost-cutting efforts. As a result. it said it would resume dividend payments for the first time in four years.

The affiliate of Matsushita Electronic Industrial said unconsolidated recurring profits - hefore extraordinary items and tax - for the year to March soared 432.1 per cent to Y5.5bn (\$51.4m).

Sales grew 4 per cent to Y562.6bn on steady demand for value-added products such as high-grade VCRs and widescreen televisions.

The company also attributed the earnings recovery to rationalisation, including the integration of production hases and reforms in the organisational structure.

After-tax profits rose to Y2.5hn from Y79m in the preceding year, following the sale of assets. With net profits per

nudged up 1 per cent to Y280bn. Consumer electronics sales,

Y0.31, the company will pay a Y375.5bn, while sales of orofesdividend of Y5 a share for the sional electronic products fell 1 per cent to Y94.8ho. Electronic Victor posted an operating components rose 48 per cent to profit of Y460m, recovering Y62.6bii and entertainment

from a loss of Y8bn the previsoftware, 4 per cent to Y26bn. ous year. It attributed the turn-On a consolidated hasis. round to cuts in material costs sales totalled Y806.6bn. up 5 per cent from a year earlier. and the year's depreciation against the dollar. while net consolidated earn-Domestic sales rose 7 per ings rose 7.3 times to Y4.3bn.

share rising to Y9.75 from televisions, remained flat at

cent to Y282bn, while exports Despite the earnings recovery. Mr Nobukazu Kaneko, managing director, warned that the environment for the company remained difficult. such as VCRs, camcorders and

Hestoric P/E

Current share price

SHARE PRICE

KAWASAKI HEAVY INDUSTRIES

1.28%

Market value: \$6.95n Main listing: Tokyo

ward trend of domestic product and service prices is continuing to affect our audio visual husiness," he sain.

For the current year to March, Victor forecasts a 413 per cent rise in non-consolidated recurring profits, to Y8bn, on a 4.9 per cent increase in sales to Y590bn. Net profits are expected to rise 2.4 times to Y6bn. On a consolidated basis, sales are expected to rise 5.4 per cent to Y850bn. while net profits are forecast to

total Y6bn, up 39.5 per cent.

SALES

0.8

0.2

Yen '000 bn)

NET PROFIT

(Yen bn)

#### Buoyant demand drives rise at Ricoh

By Michiyo Nakamoto in Tokyo

Ricob, the Japanese maker of office equipment, reported a firm rise in profits in the year to March, on the strength of buoyant demand for its copiers. facsimile machines and digital cameras.

Consolidated sales rose 9 per cent to Y1.113bn (\$10.4bn) from a previous Y1.020.3hn and pre-tax profits climbed 21 per cent from Y41.1bn to Y49.5bn.

The strong performance came on increased sales of office equipment both in Japan

and overseas. Consolidated results were not as strong as its parent results, however, partly because of the weaker performance of Gestetner, the UK distributor of copiers which was acquired last September. At the parent level, recurring profits were 47 per cent up. from Y21.6bn to Y31.9bn.

Ricoh said that cost-cutting efforts, such as the standardisation of parts, also contrib-uted to the better results.

In terms of products, the company saw widespread demand for its digital copiers. including colour cooiers, and for its fax machines which incorporate copier functions.

Meanwhile, sales of digital cameras contributed to a strong rise in sales of photo-graphic equipment.

Demand for digital cameras. which allow the images to be entered into a computer, has been stroog among businessmen, who use them to take pictures on site and send them on-line to the office. They are also popular amoog individuals who make their own huslness cards on PCs.

In the current year, Ricoh expects sales to remain firm. forecasting a 15 per cent rise in consolidated sales to Y1.278hn. Pre-tax profits. bowever, are not expected to rise as strongly hecause of a change in accounting rules in the US which require larger reserves for pensions, Ricoh said. Pre-tax profits are forecast to increase to Y50hn. while net profits will rise to

#### **NEWS DIGEST**

### Kumagai Gumi suffers sharp fall

Kumagai Gumi, one of Japan's largest general construction companies, vesterday followed the trend shown by its domestic competitors and reported a sharp decline in annual profits. Unconsolidated recurring profits - before lax and extraordinary items - fell 29 per cent to Y14.47bn (\$135m) in the year to March on sales up 18.6 per cent to Y983.8bn.

Other Japanese construction groups believe they have passed the bottom of the cycle, but not Kumagai Gumi. Yesterday, it forecast another decline in recurring profits, to Yilhn on turnover down to Y890bn, in the year to next March, The group blamed its poor performance on fierce

competition for private sector contracts in Japan, amid a stagnant market for new office buildings. Public works turnover, lifted by the government's fiscal stimulus packages, rose 10.5 per cent to Y288.5bn. However, income from property sales fell 16.2 per cent to Y31.4bn. said Kumagal. William Dawkins, Tokyo

#### East Japan Railway edges ahead East Japan Railway, the largest operator to emerge from the oreak up of Japan's former national rail service, yesterday reported a small rise in annual profits. The parent company

reported a 2.8 per cent increase in recurring profits - before tax and extraordinary items - to Y102.15hn, on sales up 0.5 per cent to Y1.960bn in the year to March. Fewer people travelled by rail early in the year hecause of

the disruption caused by the Kobe earthquake in January 1995. However, increased freight revenues, an early response to Japan's economic recovery, compensated, said the company.
Operating profits were down slightly, from Y388.2hn to YSS3.7bn. out net profits rose a fraction, from Y57.38bn to

Overall, high-speed trains were the star performers last year, bringing in revenue of Y421.7bn, up from Y419.9bn in the previous 12 months, while income from other services William Dawkins stagnated at Y1.290bn.

#### Asahi Glass upbeat

Asahi Glass. Japan's fast diversifying top glassmaker, yesterday reported a Y28.9bn (\$269m) non-parent company recurring profit - before tax and extraordinary items - for the year to March, It also forecast a 14 per cent increase for the coming year. Asahi changed the end of its accounting period from December to March last year, so a comparison with the previous 12 months is not available. However, the profit was slightly less than Tokyo equity analysts' consensus forecast of

The group said it had benefited from a recovery in the Japanese domestic economy in the second half, with an upturn in private sector capital spending and housing investment, Consumer spending, however, had failed to pick up, it said. Accordingly, the company had strengthened its marketing and cut fixed costs and assets.

Glass sales accounted for Y444bn, nearly half total unconsolidated turnover of Y905.6hn, For the year as a whole, demand from the construction industry declined and sales to Japanese car producers stagnated, a consequence of the slowdown in car exports. Sales of light bulbs, by contrast,

Turnover in chemicals, the company's biggest diversification, reached Y335.8bn and experienced a recovery in demand. Electronic components sales reached Y76.5bn. beloed by a buoyant market for integrated circuits and plant equipment, said Asabi. It forecast a 1.6 per cent rise in sales. to 1930bn, in the 12 months to next March.

William Dawkins

### Kawasaki Heavy defies yen's strength with 31% advance

in Tnkyn

Kawasaki Heavy Industries, the first of Japan's engineering, aerospace component. shipbuilding and engineering combines to report annual results, yesterday announced a slightly higher than expected 31.2 per cent rise in group recurring profits - before tax

and extraordinary items. The increase came on a small, 1.4 per cent rise in turnover to Y1,086hn (\$10.1hn) in the year to March, reflecting impact yen's strength on the competitiveness of KHI's export sales in the first half of

KHI has the highest exposure to exchange rate fluctuations of any Japanese beavy

Export volumes declined by

nearly 4 per cent. Net profits rose 61 per cent to Y16.46hn, and earnings finished the year up 7.58 per cent at Y12.19 a share.

Analysts believe KHI, like several other Japanese shipbuilders, made a loss on its shiphuilding activities. disadvantaged by a high cost bases in a world market burdened

with over-capacity.

The group did not give a divisional profits breakdown vesterday. lts defence, ship engine,

plant and engineering divi-sions were expected to bave been profitable, said Mr Matthew Ruddick, equity analyst at James Capel Pacific in

Profits in KHI's motorcycle division, where exports are the health of Japan's heavy

group, were under pressure in he first half, but recovered as the yen weakened later in the

At parent company level. KHI reported a 21.3 per cent rise in unconsolidated recurring profits, to Y27bn, and more than doubled net profits to Y16.16hn on sales up 2.5 per cent to Y948.97hn. Parent recurring profits are forecast to rise 18 per cent to Y32bn in the current year to next

Within parent company sales, shipbuilding fell nearly 40 per cent to Y69hn, while KHI's automotive husinesses recorded a 15 per cent rise in sales. Turnover at the energy and environment division expanded by 65 per cent.

More light will be thrown on

relative to the Nikkei 225 Average

engineering conglomerates Heavy Industry, the largest in today when Kanebo, primarily the sector, are due to report

### Ansett Airlines holds TNT to profit of A\$32m

By Nikki Tait In Sydney

the Australian transportation group, yesteroperating profits before abnormal items and tax in the nine months to end-March, at A\$69.5m (\$55.4m). It warned that the full-year result would also be "well below that of last year".

In the same period a year ago, and on a similar equityconsolidated basis, the company made A\$102.9m.

After tax, and belped by a A\$16m abnormal surplus compared with last time's A\$14.7m charge - TNT turned in a bottom-line profit of A832.2m. The comparable result in the first nine months of 1994-95 was A\$34.8m. Total revenues in the latest period were A\$5,53hn, up from A\$4.66hn a year ago.

TNT put much of the blame for the downturn on its 50 per cent Interest in Ansett Airlines, the Australia-based carrier, which it is seeking to sell to Air New Zealand. This made "a significantly lower contribu-

tion". More positively, it said that pre-tax operating profits from its wholly-owned husinesses Improved to A\$63.1m in the nine-month period, compared with A\$55.6m a year ago. Sales from these interests were

A\$3.21bn against A\$2.53hn. According to TNT, this underlying advance reflected "strong performances" for the express delivery businesses in Germany, the UK and Italy, tralian, Canadian and Braziland most of the logistics operations.

However, TNT's Australian

express delivery unit saw static earnings before tax, in a "highly competitive" environment, with the parent company warning that this situation was unlikely to improve before the year-end. Meanwhile, the "non time-sensitive" freight business overall posted a loss of A\$17m before interest, compared with last time's A\$13.2m profit. Aus-

ian activities all faced

GD Express Worldwide, the express delivery unit owned 50 per cent by TNT and also hy various national post offices. remained in the red. although its losses were reduced.

TNT said it was optimistic ahout getting the Ansett stake sale through by June 30; new proposals designed to satisfy the competition authorities in New Zealand were filed earlier

### Sappi counts the cost of boldness

Despite industry woes, and heavy debt, the group is happy with SD Warren

Sappi surprised the paper industry in the autumn of 1994 when it outmanoeuvred Arjo Wiggins Appleton, its Franco-British rival, hy snapping up SD Warren of the US. The hid, the largest ever struck in the US by a South African group, catapulted the hitherto obscure company into the international arena.

But although Sappi's strat-egy looked valid - the company hecame world market leader in coated paper - there were concerns at the time that the South African company might have overpaid. Many helieved it would struggle to pay down the resulting debt, particularly given that the US paper cycle looked like peak-ing. Since the deal was struck. those concerns have looked increasingly prescient.

However, Mr Eugene van As, executive chairman, dismisses suggestions he paid too much. For one thing, the transaction price was \$1.47bn rather than the publicly announced \$1.6bn. This, he says, was because Scott Paper, SD Warren's own-ers, sold the business deht-free. Mr van As insists SD Warren

has turned out to be an excellent husiness, although Sappi has had to invest substantially and alter operating procedures. "Scott was really insular." he -Management thought it had been running the business really well. But

when we showed staff best

practice in South Africa and Germany, their first reaction was disbelief. Now they're delivering." investment has included an information technology system installed within three months. Previously, It was aimost impossible to tell what was going on," explains Mr van As.

rates at some mills were unac-The South African company has also given management its head. "Previously, if SD Warren people wanted to get anything done, it had to be cleared in triplicate by head-quarters. Now we tell them to

And the company has put

money into safety. Accident



Eugeoe van As: 'Unlike some paper companies, what you see is what you get'

need. They have to deliver, of course. We don't tolerate sleepiness, hut there's now an energy in the company that just wasn't there before," says Mr van As.

The results speak for themselves, says Mr van As. Sappi's US mills have increased annual production by 200,000 tonnes. And the group has increased its US market share in coated free paper hy 2.5 percentage points to 27.5 per

However, improvements in operational efficiency have been more than offset by the collapse in paper prices during the second half of 1995. SD Warren may have been earnings-enhancing in its first year under Sappi, but Mr van As admits he's not sure whether it will be this year, "tt's not making what it earned last year. that's for sure," he says.

r van As admits the collapse in pulp and paper prices bit Sappi doubly hard. First, it reduced cashflow from the US operations which would have belped pay down Sappi's dollar-denominated debt. And secondly, it stalled a possible New York Stock Exchange quote last autumn which was also aimed at reducing Sappi's

gearing.
"It's no secret we were looking at a quote, and there's no point having a quote withjust go and buy what they out raising equity," explains

Mr van As. But after the halving in pulp prices from a peak of \$1,000 a tonne last September, the exercise was put on

Gearing is between 90 per cent and 95 per cent, says Mr van As, although he stresses there is no off-balance sheet financing. "Unlike some paper companies, what you see is what you get," he says.

Sappi has taken some action to relieve its predicament. The group has paid off \$170m in

debt and refinanced its US bank borrowings, reducing the interest burden by between \$8m and \$10m a year. The group is also receiving some help from its German busi-nesses which have recently picked up. Cashflow is covering interest payments, says Mr

But what will really help is a recovery in pulp prices later this year, says Mr van As. "The ratcheting down of inventories has heen dramatic. There has been a blg movement in inventory from pulp to paper, and there's a lot of unannounced down-time, reducing production. Spot prices were below \$450. Now nobody's paying that little. Pulp prices should continue to recover and could reach about \$650 a tonne after the summer. and maybe \$700 by year-end.
As long as world economic growth remains steady, there will be no overcapacity until mid-1998 when new Asian

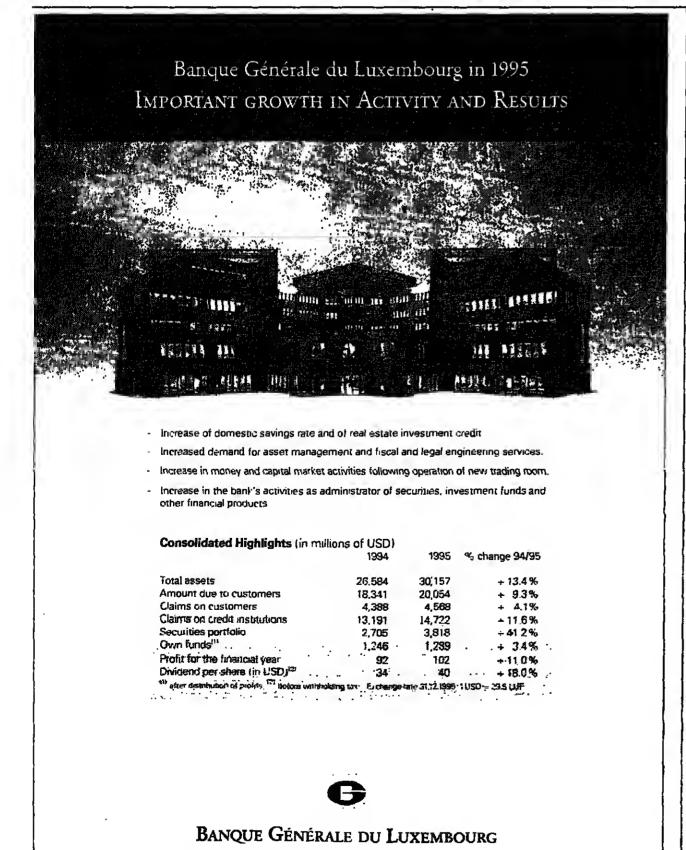
machines come on stream." Even if there is an upturn. Sappi will not be embarking on more acquisitions. Mr van As believes the pace of industry concentration could quicken.

especially in Europe, where "quite a lot of coated paper capacity is coming in between now and December 1997". o other global industry has its top 10 or 15 players sharing as little as 15 per cent of the mar-ket. "That will have to change," he says. "You're getting pan-European merchants . . . and they don't want to deal with every Tom,

Dick or Harry in every country. And publishers are moving towards fewer suppliers." But the squeeze on balance sheets caused by the downturn in pulp and paper prices means mergers are more likely than acquisitions, he insists.

In the meantime, Mr van As remains unrepentant about the SD Warren acquisition. The business is a good one, he insists, and he would prefer to overpay for a good husiness than gain a bad one on the cheap. "If the market turns bad, you've still got a good business. If it was a bad business in the first place and the market turns down, then you're really in trouble."

Paul Abrahams and Alison Maitland

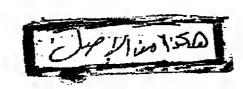


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FINANCIAL TIMES THURSDAY MAY 23 1996

CHASE





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We're really excited about the changes the new Chase is committed to achieve. Not just for us but for our clients. After all, that's what banking has always been about.

First Row: Don Layton, Dick Masteis, Ed Miller, Michel Kruse, Walter Shipley, Tom Labrecque, Bill Harrison, Arjun Mathrani, Jimmy Lee, Jim Zeigon

Second Row: Cynthia Green, John Fox, Herb Aspbury, Carol Burt, Paul Brandow, Paul Beckwith, Doug Anderson, Henry Gooss, Suzanne Hammett, Terry Todman, Aristides Georgantas, Ina Drew Third Row: Maria Elena Lagomasino, Sarah Jones, Frank Lourenso, Nina Lihn, Bernie Jacob, Harold Meyerman, Jeff Larsen, Jeff Walker, Dod Fraser, Kathy Tucker. Georges Vergnion Fourth Row: Peter Gleysteen, Pat Bonan, Ken Lay, Nancy Mistretta, D'Arcy LeClair, Leslie Lassiter, Deb Talbot, Dexter Charles, Yvonne Cliff, Karen Keating, Mavis Taintor, Greg Nelson Fifth Row: Carroll Wetzel, Mark Richardson, Susan Segal, Len Spalding, Tom Swayne, David Nelson, Don Wilson, John Youngblood, Marc Shapiro, Barbara Luttich, Brian O'Neill Sixth Row: Tom Reifenheiser, John Adams, Vivian Banta Eversole, Bruce Hannon, Charles Bauccio, Todd Maclin, Richard Edwards, Margaret Cording, Alan Buckwalter Seventh Row: Gene Marshall, Chris Rocker, Dennis Goggin, Morten Arntzen, Jorge Jasson, Daniel Canel, Bob Gillham, Bill Finnegan, Bill Rockford, Greg Parris, Robert Fallon

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Pharmacia & Upjohn

cuts 20% of projects

Pharmacia & Upjohn, the pharmaceuticals company, is to halt

about 20 per cent of its development projects and focus on five

core areas after an extensive review of its research and

development programmes. The company told analysts it

#### COMPANIES AND FINANCE: THE AMERICAS

### Deal gives NBC access to 25% of **US** households

By Richard Waters in New York

Television stations directly owned by NBC, the US network group, will have access to more than a quarter of all US households following the \$425m purchase of stations in San Diego, California, and Bir-Alabama, 13 per cent of US households are affiliates of the rival Fox

announced yesterday.

The acquisitions, for cash, will give NBC-owned stations access to 25.1 per cent of the national audience, just above the 25 per cent ceiling allowed under earlier US legislation. That restriction was swept away in this year's telecommunications act.

NBC's purchase indicates the high price the US networks are prepared to pay to secure their audience. The addition of San Diego and Birmingham, respectively the country's 27th and 51st largest television markets, adds only 1.7 percentage points

to its national coverage. On that measure, yesterday's deal appears a more expensive acquisition than NBC's last big television station purchase. Last summer, the General Electric-owned group paid \$321m for Outlet Communications, a company whose three stations lifted its national cov-

erage by 1.8 percentage points. The two stations are being sold by New World Communications, a producer and distrib-utor of television programmes controlled by Mr Ronald Perelman. The two were already affiliated with NBC, while New World's remaining 10 stations - which between them cover

The scramble by the US net-work groups to lift their direct ownership and control of local television stations in part reflects the competition offered by Fox, which has made inroads into the market of the three established networks. It was New World's decision

two years ago to drop its affiliation with the then-struggling CBS in favour of Fox that added particular urgency to the rusb by the networks to secure the loyalty of their affil-

Mr Bob Wright, NBC chief executive, said yesterday that "strong local broadcast stations and free, over-the-air television will remain the corner. stones of American television

viewing". New World said it would report a \$225m pre-tax gain on Success of client-server software lifts profits 25%

### Soaring program sales boost CA

By Louise Kehoe in San Francisco

Computer Associates reported higher than expected earnings for its fourth fiscal quarter as sales of its client-server software programs jumped 60 per

The software group reported net income for the quarter ended March 31 of \$265.1m, an increase of 25 per cent over \$212.9m in the same period last year. Income per share rose to \$1.05 from 85 cents a year ago, adjusted for a three-for-two stock split in August.

Revenues for the quarter were up 38 per cent, at \$1.1bn

been expecting earnings of about \$1.02 a share. However, CA's share price dropped sharply in early trading amid concerns about the outlook for the current quarter.

After a delay, CA opened at \$75, down \$6% from Tuesday's close of \$81%. The shares picked up to \$76%, however. after CA executives clarified the outlook. The business ontlook is strong and revenues are still soaring," said Mr Charles Wang, chairman and chief

Earnings for the first quarter will, however, be reduced by scheduled write-offs associated make earnings comparisons difficult for the first quarter." For the full year, revenues

were \$3.5bn, an increase of 34 per cent from \$2.6bn in the previous 12 months. Net income, before acquisition charges, was \$751.7m, or \$2.98 a share, up 28 per cent from \$586.5m, or \$2.33, in the previous fiscal year.

After charges, CA recorded a net loss of \$56.4m, or 23 cents a share, compared with net income of \$431.9m, or \$1.71, last

Mr Wang said CA's business in the client server segment with last year's acquisition of software used in computer

Wall Street analysts had Legent, a mainframe software networks - grew 70 per cent een expecting earnings of group, he explained. "This will during fiscal 1996. During the during fiscal 1996. During the

> Revenues from mainframe computer software also continue to grow, said Mr Wang. "The mainframe is far from dead. It has a new role in enterprise networks." In the mid-range computer sector, software sales also grew strongly, he added.

> CA said it had formed seven new independent business units to focus on specific segments of the software

#### fourth quarter, CA formed a strategic alliance with Digital Equipment that will further strengthen CA's market leadership, he added.

intended to focus its \$1bn a year R&D programme on projects "with the greatest prospects" "During the remainder of 1996 and into 1997, we expect to continue to concentrate our greatest energies on advancing approximately 25 major products or line extensions now in Phase II/Phase III clinicals or beyond, as well as expanding our drug discovery activities through proportionally higher expenditures and through external collaborations," it said.

**NEWS DIGEST** 

The company named 13 projects with either "limited market opportunities or unremarkable scientific data" that would be eliminated and their budgets reallocated to core areas. Projects to be discontinued or licensed out include tallimustine for acute leukaemias, thymoctonan for hepatitis, Linomide for leukaemia, Itasetron for anxiety and amperozide for alcobol abuse. It will focus on oncology, the central nervous system, anti-infectives, and inflammatory and metabolic diseases. It will also increase investment in drug discovery-oriented research to between 25 and 30 per cent of

Meanwhile, the company announced that it has completed construction of a \$35m joint venture pharmaceutical plant in Suzhou, China, Upjohn Suzhou Pharmaceutical, which was set up in July 1993, is 75 per cent owned by Pharmacia & Upjohn and 25 per cent by Suzhou Pharmaceutical Factory No 4, a manufacturer of hulk pharmaceuticals.

Upjohn Suzhou will employ 100 workers and manufacture Pharmacia & Upjohn products, including antibiotics and steroids. Commercial production will begin in June, the company said.

AFX, New York:

### Strong demand lifts Saks

Strong demand from investors pushed shares in Saks Holdings, one of the best-known names in US retailing, to 50 per cent above their offer price in the first day of dealings vesterday. In early trading yesterday, the shares were changing bands at \$35 - \$12 above the top end of their price

That price puts a market value of about \$2.1bn on the up-market department store that Investcorp, the Bahrain-based investment group, purchased for \$1.6bn in 1990

from BAT Industries of the UK.
Although much of the US retailing industry remains depressed, recent months have seen a revival among luxury goods sellers such as Saks, which has 45 department stores and 19 other outlets in the US. Shares in Gucci, the maker of up-market leather goods, which were floated by Investcorp last

October for \$22, soared to a record \$70% on Tuesday.

However, some analysts were wary of the Saks offering. "At these levels I'm not enamoured of the stock, I think it is way ahead of itself," said Mr David Menlow, president of IPO Financial Network in Springfield, New Jersey.

Lisa Bransten, New York

#### Prudential America disposal

The consolidation of Canada's insurance industry has moved another step forward with an agreement by Prudential Insurance Co of America to sell its Canadian operations to London Life, a domestic insurer, for about C\$100m (US\$73m). Prudential joins several other foreign insurers that have withdrawn from the over-crowded Canadian market in recent years. They include the UK's Sun Alliance and Prudential Assurance, and New York Life.

The pressure to rationalise has come from several sources, notably slim rates of return due to cut-throat pricing and high administration costs. Financial difficulties at a number of companies in recent years have led the authorities to encourage mergers and takeovers among the roughly 130 life offices operating in Canada.

In addition, the threat of competition from the powerful Canadian banks bas spurred many insurers to reassess their future. Prudential's assets in Canada, including life insurance, and pension, annuity and mutual funds businesses, total

The deal will increase London Life's share of the individual life insurance market from 14 per cent to 18 per cent, and will almost double its share of the group life and health market to Il per cent. London Life, which is part of the industrial and financial services group controlled by Toronto's Bronfman family and their managers, currently has assets of C\$15.2bn. Its parent company will inject C\$250m to maintain the insurer's capital ratios. London Life has significantly expanded its international business in recent years. It expects Asia to account for about one-third of new customers this Bernard Simon, Toronto

#### Canadian forestry groups ahead

Canadian forest products companies earned a total of C\$5.8bn (US\$4.2bn) in 1995, up from C\$2.5bn in 1994. The 1991-93 recession led to accumulated losses of C\$4.1bn. A study by Price Waterhouse said sales rose 22 per cent in 1995 to a record C\$54bn, of which C\$41bn were exports. The strengths in 1995 came from pulp and paper products with higher shipments and prices. However pulp prices weakened sharply in the fourth quarter and newsprint producers have curtailed production severely this year, trying to maintain prices near 1995 leveis. Wood products were weaker in 1995.

The industry lowered its debt-to-capitalisation ratio to 36 per cent from 39 per cent in 1994, when restructurings were under way. Wood costs climbed sharply in 1995, with a 28 per cent rise in provincial stumpage and royalties. Capital spending will total C\$10bn in 1996-97, up from C\$8bn in 1994-95, and will go for modernisation and environmental improvements. Analysts expect 1996 results to be substantially lower than those of 1995, with the second half better than the first.

NOTICE TO HOLDERS OF CLASS A NOTES comprising

U.S. \$208,400,000 Secured Class A1 7.75% Fixed Rate Notes due June 1997 ("Class A1 Notes") U.S. \$104,200,000 Secured Class A2 Floating Rate Notes due June 1997 ("Class A2 Notes") U.S. \$70,400,000 Secured Class A3

Floating Rate Notes due June 1997 ("Class A3 Notes") (together the "Class A Notes")

Aircraft Lease Portfolio Securitisation 92-1 Limited

a meeting of holders of Class AI Notes (the "Class AI Meeting"); a meeting of holders of Class A2 Notes (the "Class A2 Meeting"); a meeting of holders of Class A3 Notes (the "Class A3 Meet a meeting of holders of Class A Nozes (the "Class A Meeting"), and case held on 15 May 1996 at 65 Fleet Screet, London EC4V LHS and compatible of in the Financial Times on 22 April 1996.

At the Class Al Meeting, the Class A2 Meeting and the Class A3 Meeting all extraordinary resolutions set out in the notices convening the meetings were duly par As the Class A Mecuse, extraordinary resolutions I to 4 (inchance) set out in the notice At the Class A Microsof, extraordinary resonations 1 to 4 (sechanve) set our in the notice convening the meeting were duly passed. The Class A Meeting was at that point adjourned indefinitely. Extraordinary visiolisms, 6, and 7 set out the relevant notics were not considered by the meeting as, all of the other resolutions having been duly passed, they would not have taken effect even if passed.

The extraordinary resolutions approved by the above is amongst other things, early redemption of the Class A Notes on 27 June 1996 subject to the conditions referred to in those resolutions. One of those conditions is that the Company or one or more of its subsidiaries or affiliates has usued U.S. dollar term notes. and received net proceeds sufficient to redeem the Class A Notes in full as des the extraordinary resolutions.

AIRCRAFT LEASE PORTFOLIO SECURITISATION 92-1 LIMITED

### ValuJet seeks to reassure

in New York

ValuJet, the low-cost US carrier, told Wall Street analysts yesterday it expected to rebuild itself as a "safe, strong and profitable airline" after the crash that killed 110 people earlier this month. Mr Robert Priddy, chairman and chief executive, said the airline had \$254m in cash on

hand at April 30. It also had liability insurance of \$750m - enough, Mr Priddy said, to cover any claims

the airline foresaw. The company was speaking to analysts for the first time since one of its DC-9 aircraft crashed in Florida on May 11, killing all the passengers and

So far, the cause of the crash has not heen established. However, the accident raised concerns about the safety of low-cost airlines, and ValuJet's share price tumbled on concerns that passengers would shum the airline.

Mr Priddy said that in the

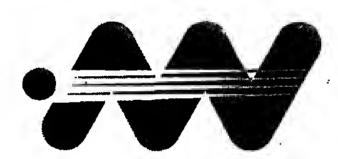
the crash, ValuJet operated 80 per cent of its scheduled flights and carried 75 per cent of the customers who originally bought tickets. The airline filled 51 per cent of its seats.

Since then, flights have been cut further so that ValuJet can carry out what Mr Priddy described as a "massive ongoing aircraft inspection programme". On peak flying days, flights are down from 320 to 200. ValuJet said it hoped to bring its flight schedule back up to 320 some time in the week immediately following fourth quarter.

Mr Priddy said booking information was currently "totally distorted", and that he therefore bad no clear information on bow bookings had been affected by the crash. He said the airline was not planning any fare sale to

entice passengers back. Mr Priddy said it was unclear when the airline would resume its previous growth pattern, but said the airline's fundamental business remained intact and that it had enough cash to afford lt "considerable staying power".

This announcement appears as a matter of record only.



### Next*Wave* Telecom Inc.

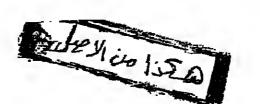
US\$ 290,000,000

Series B Common Stock and Warrants

The above Private Placement was arranged by

ING BARINGS

May 6, 1996



FINANCIAL TIMES THURSDAY MAY 23 1996

This announcement is neither an offer to purchase nor a solicitation of an offer to sell these Notes. The Offer is made solely by the Offer to Purchase of Philippine Long Distance Telephone Company dated May 21, 1996 and the related Letter of Transmittal, and is not being made to and offers will not be accepted from or on behalf of holders of these Notes in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction.

# Modified Dutch Auction Offer

Upjoh rojects

disposal

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ISIN No. US718252AA75

THE OFFER WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, JUNE 18, 1996, UNLESS EXTENDED (THE "EXPIRATION DATE") IN ACCORDANCE WITH THE TERMS OF THE OFFER.

Philippine Long Distance Telephone Company (the "Company") invites holders of its 10.625% Notes Due 2004 (the "Notes") to tender their Notes to the Company at spreads designated by the tendering holders (provided, however, that such spread is not greater than 2.35% nor less than 2.15%) over the yield to maturity of the 7.25% US Treasury Notes due May 2004 ("Reference Yield"), upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal (which together constitute the "Offer"). The Company will not, however, accept tenders of more than 40% (US\$100,000,000) of the outstanding aggregate principal amount of the Notes. Accordingly, tendering holders of the Notes may be subject to proration in certain cases as described in the Offer. Tendering holders of Notes may indicate the principal amount of such Notes that are being tendered for sale to the Company without specifying a spread. Subject to the other terms and conditions of the Offer, tenders of Notes made in this manner will be accepted by the Company, and such holders will receive the same price paid to all holders whose tenders are accepted. The Offer will expire at 12:00 midnight New York City time, on Tuesday, June 18, 1996, unless extended (the "Expiration Date"), in accordance with the terms of the Offer.

The offer is conditioned upon, among other things, the receipt by the Company of gross proceeds of at least US\$365,000,000 from the issuance of Global Notes at or prior to 10:00 a.m. New York City time on the Settlement Date, as specified in the Offer. Tenders of the Notes may be withdrawn at any time up to, but will become irrevocable at, 12:00 midnight on the Expiration Date.

Promptly after the Expiration Date, the Company will determine the maximum price that it will pay for Notes validly tendered and not withdrawn pursuant to the Offer, taking into account the principal amount of Notes so tendered and the spreads specified by tendering holders to be added to the Reference Yield. The Reference Yield shall be determined as of 3:30 p.m. two New York business days prior to the Expiration Date, as calculated by the Dealer Manager in accordance with standard market practice, based on the bid price, as reported in the Federal Reserve Bank of New York's "Composite 3:30 p.m. Quotations for US Government Securities". Subject to proration and the other terms and conditions of the Offer, the Company will select a single spread to be added to the Reference Yield that will enable it to purchase 40% (US\$100,000,000) of the outstanding aggregate principal amount of the Notes (or such lesser principal amount of Notes as are properly tendered at spreads no greater than 2.35% nor less than 2.15%) pursuant to the Offer, taking into account the order of the specified spreads in respect of Notes validly tendered pursuant to the Offer, beginning with Notes validly tendered with the maximum spread so specified. Subject to proration and the other terms and conditions of the Offer, the Company will accept all tenders of the Notes that are made at or above the minimum spread selected by the Company, together with all tenders of Notes for which no spread is specified, and pay to such holders of the Notes the maximum price using the minimum spread selected by the Company (even if the minimum spread selected by the Company is lower than the spread specified by the holder).

Lehman Brothers International (Europe), Citicorp Securities, Inc., and their respective associates have or may have positions or holdings in the Notes and have provided significant advice in relation to the Notes within the previous twelve months.

Requests for copies of the Offer to Purchase, the related Letter of Transmittal and other relevant information should be directed to the Dealer Manager:

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May 23, 1996

# Kingfisher sales pick up

Kingfisher provided further evidence yesterday that confidence is returning to the high street when the retailing group announced a stronger than expected rise in first quarter

Boosted by above-forecast sales growth from Woolworths and B&Q, the home improvements business, Kingfisher increased like-for-like sales by 6.4 per cent.

The figures follow Tuesday's up-beat statement on consumer attitudes from Marks and

were up 14p on Tuesday after M&S's comments, rose a further 12p to 620p yesterday after the group announced an 11 per cant advance in total retail sales to £1.24bn (\$1.88bn) in the 13 weeks to May 4.

The news contributed to further share price rises across the retail sector, with Dixons up 8p at 504p and Argos 9p

B&Q, which disappointed analysts last year after sales growth slowed dramatically in the second half, increased likefor-like sales by 3.4 per cent in the first quarter of this year. Demand was particularly strong in April.

Demand for mobile phones helped Darty, the French electrical retailer, to increase like-for-like sales by 5.1 per cent and Superdrug advanced comparable sales by 2 per

Sir Geoffrey Mulcahy, chief executive, said the trend in sales was "encouraging", but cautioned that apart from B&Q, the group's businesses were dependent on the second

Kingfisher also announced that it was to seek a listing on the Paris Bourse because of the strong interest in its shares from French Investors, largely

### Courtaulds acts on price swings

By Jenny Luesby

Courtaulds, the chemicals and fibres producer, yesterday unveiled a ground-breaking cootract with one of its raw material suppliers to end the price swings that cut its pretax profit by 13 per cent in the year to March.

In a move that could have implications across the chemicals industry. Courtaulds has set up a pilot cootract with one of its largest acrylonitrile sunpliers, pegging its raw material prices to the prices it can charge its own customers.

Similar deals are likely to follow with other acrylonitrile suppliers and with wood min suppliers, said Mr Gordan chief executive in July.
These contracts will stabilise

the profit margins in Courtaulds' most volatile fibres businesses, acrylics and viscose, which account for 23 per cent of groop sales. Courtaulds buys 150,000

tonnes a year of acrylonitrile in Europe, used to make acrylics, and 300,000 tonnes a year of wood pulp, used to make viscose and tencel, the group's newest fibre. Last year, the prices of acry-

pany turns down an offer for part of its business in

favour of one worth £15m less.

But that is what Allders

appears to have done in

choosing a £130m bid from

BAA for Allders International,

its tax and duty free business,

in preference to a £145m rival

Not surprisingly, the Allders

camp was yesterday going to

great lengths to justify its

acceptance of the lower offer.

BAA had provided a clean

unconditional bld, it argued,

whereas Swissair had not

tabled a legally binding offer

and had made any hid condi-

offer from Swissair.

lonitrile rose from \$500 to \$1.500 a tonne before falling pulp rose from \$500 to \$1.200 a tonne, before recoiling to \$600. As a result, acrylics and vis-

cose profits were "negligible". said Mr Sipko Huismans, chief executive. Typically, these husinesses achieve profit margins of around 10 per cent. The group's pre-tax profits fell from £151.1m to £131.5m

(\$199.9m) on sales up 7.7 per cent at £2.3bn (£2.13bn). In the fibres and chemicals division, operating profits fell 27 per cent to £58m, with the decline in acrylics and viscose offset by profit growth in Ten-

 acetate and chemicals. Tencel output doubled in the final quarter to 45,000 tonnes a year, and prices rose 8 per

cel - the group's newest fibre

In coatings and sealants, operating profits rose from f61m to f71m, thanks to the acquisition of Mehnert and Veeck, which contributed £4m. and strong growth in

However, profits fell back 5 per cent to £19m in the polymers division, following a delayed site closure in the US. The disposal of Amtico. Cellophane and OPP raised just over £100m.

Earnings fell by 20 per cent to 20.2p (25.4p).

#### LEX COMMENT

### Bass

While Bass's name has been linked to every likely bid target in the brewing and leisure sectors, it demonstrated FT-SE-A Ali-Share Index yesterday that it is under liftle pressure to deliver a deal. There is a strong case for substantial investment in its existing husinesses, and cap-ital expenditure should reach £600m this year. The pub portfolio offers scope for catching up with its peers, through re-hranding and higher food sales. The Holiday Inn hotels husiness is performing strongly, and with 23 per cent of its botels

Share price relative to the 1990 91 92 93 94

undergoing modernisation this year growth prospects remain exciting. Meanwhile, the leisure businesses have reached their nadir in terms of com-parisons with life before the National Lottery, and the group is investing heavily in new bingo clubs. Bass should make profits of £670m this year, putting its shares at a 10 per cent premium to the market's average prospective price-earnings ratio. Since only 22 per cent of interim profits came from brewing, with the remainder from faster growing leisure-related businesses, this seems more than justified.

Nonetheless, the catalyst for any further re-rating is likely to be an acquisition. Brewing has been revived by the huge success of Caffrey's and Hooper's Hooch, but the purchase of Allied Domeco's Carlsberg-Tetley stake would bring enormous cost savings. Chairman Sir lan Prosser's statement that consolidation in the brewing industry would not mean price increases was clearly aimed at the regulator - and it is accurate, up to a point. Bass would have to make some sacrifices to win regulatory approval, but a profitable compro mise looks achievable.

### Liberty to close regional stores

Liberty, the retail and textiles group, yesterday announced the closure of its lossmaking chain of 20 regional stores at a cost of £5m (\$7.6m).

The widely expected store closures, which follow a strategy review aimed at redressing several years of declining profits, will result in the loss of 350 jobs, over half of which are

The group also announced the appointment of Mr Andrew

Garety, former finance director of Boddington Group, the pubs and hotels company, as its new finance director.

The f5m charge means that the group, which has already warned that profits before exceptionals in the year to January 27 will not be more than £2.1m, will record a substantial loss when it reports on June 7. Liberty said the results would include further provisions and confirmed that there will be no final dividend, Shares fell 15p to 355p on the news.

Mr Ian Thomson, chief exec-utive, said that the regional branches, which stretch from Glasgow and Edinburgh to Exeter and Brighton, did not complement the group's flag-

both the large format Ware-

house stores and at the smaller

Supercentre stores, which were

particularly badly hit last year.

The sharp fall in B&Q's profits

last year led Kingfisher to cut

investment on Warehouse. One

analyst said yesterday that the

recent upturn in the market

showed this decision had been

Woolworths, which reported

an improved performance last

year, increased like-for-like

sales by 7.5 per cent, while comparable sales from Comet,

the electrical retailer, were up

13 per cent, boosted by spend-

ing on personal computers.

"a knee-jerk reaction".

ship branch in Regent Street. "The Regent Street store offers a unique assortment and we were unable to replicate that elsewhere," he said. The chain of shops, which was developed in the 1980s, had been lossmaking for a number of years. Mr Thomson said the group now wanted to increase investment in the Regent Street store and to expand its airport shops business. In addition to its two shops

at Heathrow Airport, a third opens today and a fourth will open later this year. Liberty was also looking to expand its international operations.

The appointment of Mr Garety follows a boardroom

shake-np last month, which saw Mr Thomson replace Mr Patrick Austen as chief executive and resulted in three other directors leaving the board.

### Bass 10% higher at £289m

By David Blackwell

Strong performances from managed pubs, soft drinks and Holiday Inn botels more than offset a fall on the leisure side at Bass, which reported a 10 per cent rise in interim profits

The shares rose 20p to 788p as City analysts pushed their forecasts up by between £15m and £20m to ahout £670m (\$1.02bn) for the full year. "The market seems to be in love with Bass at the moment," said one analyst.

Pre-tax profits for the 28 weeks to April 13 rose from \$263m to \$289m on sales 12 per cent higher at £2.52hn

Sir lan Prosser, chairman, said the group was "very strong financially. We have good organic growth plus the

firepower to make acquisitions but we are under no pressure to buy anything."

He would not comment on the widely rumoured possibility that Bass was negotiating to bny Carlsberg-Tetley, the joint brewing venture owned by Allied Domecq and Carls-berg of Denmark. Buying the third largest brewer would return Bass to number one spot in UK brewing following Scottish & Newcastle's take-

over of Courage.

Analysts yesterday added to possible bid targets, William Hill, the bookmaker owned by Brent Walker, which wrote down the value by 2268m yesterday, But Sir Ian would only add that Bass was always looking to upgrade or increase the size of all its outlets, and wberever we can add value to

Operating profits from Holiday Inn rose 16 per cent in US dollars, and nearly 19 per cent in sterling to £76m. The group was continuing to drive the quality of the hotels ahead, Sir lan said. Of more than 500 hotels already approved to join the chain, 83 per cent were

newly built.

The managed houses Increased operating profits by more than 22 per cent to £103m, helped by continuing consumer preference for premium and packaged beers, but underlying growth was closer to 15 per cent. While wet sales per pub were up 7.5 per cent, food sales grew by 18 per cent, excluding Harvester, acquired last summer from Forte.

In the brewing division, beer volumes were 1.5 per cent ahead, with the move to pre-mium product boosting profits

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Sir Ian Prosser: group was

The leisure division's operat-

ing profits fell from \$42m to tional on supervisory board £35m. While profits at Coral were flat, the bingo side was hit by National Lottery scratch cards and the severe winter.

very strong financially

by 9 per cent to £72m. Sales of Carling Black Label were now at more than £1bn.

> Allders added that eight days of exclusive negotiations with Swissair in early May had failed to produce a break-through, and there was no certainty about a binding deal even at the eleventh hour. It was also clearly worried that

> > ting position. Links between BAA and Allders International go to the heart of the deal because of the contracts hetween the two groops at seven of BAA's UK airports.

BAA might walk away.

### Christopher Brown-Humes looks at the battle for duty-free sales

including Heathrow and Gatwick. This is the most profitable part of the Allders inter-

Swissair offer stays grounded

national husiness and accounts for a substantial chunk of its revenues. Discussions only came about because BAA indicated It wanted more direct control over its retailing operations, which would inevitably have led to a severance of the management contracts. This would have weakened Allders' profit-ability and could have dam-

t is perhaps puzzling that Swissair wants to get into a husiness that would almost certainly lack the BAA contracts and also faces the strong possibility that the EU will phase out duty-free sales In 1999. Allders has said this sons for quitting duty-free, as European sales account for about one third of Allders

aged its credibility in compet-

ing for business elsewhere.

International's business. But Swissair bas shown a determination to huild up its duty-free activities through Its Nuance subsidiary, which has annual revenues of SFr315m (£168m). As part of its expansion in this area, the group last year bought two Australian companies, Mcleod and City international Duty Free Aus-

Swissair already has dutyfree shops in Switzerland and Australia, off-airport shops In Australia, and in flight sales. Analysts say Swissair also has pressing reasons for wanting to diversify away from its core airline business, given its

relatively small domestic market and the longer term threat to its husiness posed by larger airlines and deregulation. BAA, meanwhile, has said it wants to build on its Internatlonal airport business, and

establish itself as "a major player in worldwide airport retailing". In the year to March £360m, some 51 per cent of it from duty-free.

What attracts both BAA and Swissair are the opportunities afforded by rising world travel - a husiness projected to grow by 6 per cent a year - and the

fact that airport travellers are captive, often affluent customers, who are usually "demob happy" when passing through the departure lounge.

.

CONTACT.

1 1:

100 miles

growing part of airport retailing falls outside the traditional dutyfree categories of alcohol and cigarettes and hence would not be affected by moves to scrap duty-free sales. Allders International, as the

world's second largest dutyfree retailer after DFS of the US, would represent a substantial platform for expansion for either company.

BAA says acquiring Allders would give it 4 per cent of the world market to DFS's 15 per cent, it is particularly excited about opportunities in the fastgrowing Asian markets. But duty-free is not a sure-

fire recipe for success. Heavy start-up costs can hold back profits, as Allders' recent experience in Copenhagen and Paris has shown.

words between Swissair and Allders was rising in intensity last night, but it may yet lead to a higher offer than £130m, either from Swissair or BAA. Allders shareholders should be able to enjoy the

#### THE RESULTS OF SEEING A SPECIALIST Streamline Holdings PLC Argyll Group PLC £[ [2 million £[23 million Floration Royal Abold and Sponsored by Advised by **HSBC Samuel Montage** HSBC Samuel Montagu The Park Lane Hotel plc Department of Transport and OPRAF £45 million Recommended offers from The first privatised Sheraton (UK) Limited passenger rail franchises Advised by Advised by **HSBC Samuel Montage** HSBC Samuel Montagu Fyffes plc and SIG plc Windward Islands £70 million £148 million Acquisitions of WKT Group nd a substantial interest in Golinski Group Banana Business of Geest PLC Associated placing and open offer Advised by **HSBC Samuel Montage HSaC Samuel Montagu**

#### RESULTS (4.9 ) )18.5 ) (2.240 ) (1,710 ) (47.1 ) (0.386L) (2.13 ) (363♥ ) (143L♠ ) (2.48L♠) B miths to March 31 6 miths to March 31 0.437L 0.724 2894 414.3.4 2.86L 131.54 0.058L 0.199L4 237.6 2.16L4 2.549 6.22 4.18 0.0144 1.21 1.19 21.9 (1L.) (3.56.) (19.6.) (39L.) (9.92L.) 0.5 0.75 7.7 ng ng 11.6 D.5 O 75 3.125 28 WAS to April 13 Brent Walker S miths to Feb 29 ... Yr to March 31 ... Yr to March 31 .... Yr to Dec 31 ... Yr to March 31 (0.796L) (0.21L+) (+60.455) (146.9) (49.7) (22.9) (26.4) (45.1) 33.69 3.27L 25.4 9.5 462.2§§ 93.3 51.9 (244.7 ) (1.08 ) (2.15 ) (4.87 ) (5.04 ) (2.33L•) 18.9 25 (22.6 ) (8 ) (11.5 ) 5.5 - Yr to March 3 29.5 39.3 42.6 8 mths to March 31 6 mths to March 31 B.15 4.365 4.5 . E mits to March 31 Date of Total tost Bernings (Em) Yr to Merch 31 6 miles to April 30 31.79 409.4 112.2 0.79 0.75 (2.37L ) (0.603 ) 17.26 4.46 1.1L 1.52 2.35 2.59 (98.9 ) (90.14 ) (118.54) 2L 0.007 0.35L 14.8 (1L ) (0.033 ) (0.86 ) \_ S miles to March 31 nii 0.75 107,92 146,51 0.75 June 11 40.123 (13.4) 1.15 Earnings shown basic. Dividends shown net. Figures in brackets are for correspo



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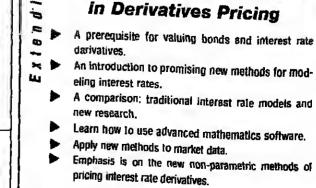
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#### COMMODITIES AND AGRICULTURE

### LME copper hit | Peace brings deeper interest in Angolan diamonds by fresh turmoil

#### By Kenneth Gooding,

MAY 23 15%

Fresh turmoil and vulatility swept the London Metal Exchange's copper market yes-terday as the "longs" and the "shorts" battled for the upper hand. The conflict saw the price for delivery in three months drop by \$100 a tonne in morning trading only to regain all the lost ground by the close.

Analysts said that such

"choppy" conditions frequently followed sharp falls in metal prices of the kind copper has seen since last Friday as the market searched for a level at which it could consolidate. "This volatility could go on for days or even a week or so," one said last night.

Three-month copper dropped to \$2,345 a tonne at one point, its lowest level for two years and nearly 14 per cent below the 1996 peak of \$2,715 touched

As the "shorts" - those who had sold copper they did not own in the expectation that they could buy later at a lower price - struggled to cover, the price rebounded to a day's high of \$2,446. Three-month copper closed at \$2,430, virtually

unchanged from Tuesday. Meanwhile, the ferocious technical squeeze that has gripped the market for some months continued to make itself felt. The premium for copper for immediate delivery compared with three-month metal widened during the day from \$60 a tonne to \$110. Analysts said this indicated

duced this year, but it will be a

that LME stocks were tightly held. "It is very dangerous to go short at a time like this." said one analyst. "The shorts state dlamond company will win eventually because so Endiama with Odehrecht Minmuch extra copper will be pro-

he now quiet river val-ley at Catoca, 22 miles west of Saurimo, capital cation whether Angola'e 600 of the Angolan province of Lunda Sul, used to be a hive of frenetic activity. Until July some 4,000 ragged garimpeiros (illegal diggers) worked the slopes, extricating diamonds hidden in the alluvial deposits.

Today they are gone, their mnddy scratchings filled in by hulldozers and their shelters torn down, while access access is denied to all but euthorised personnel. Bigger plans are afoot: Catoca is about to host an experiment, the first major attempt in Angola to mine kimberlite, the volcanic pipes where diamonds originate. The project, awarded to Sociedade Mineira de Catoca, a joint venture grouping the

ing Services of Brazil and Rus-

sia'e Almazil Roseil-Sakha,

should give the first solid indi-

pipes merit exploitation. Until now, the security risks associated with two decades of civil war and the high quality of gems washed up in Angola's river beds heve discouraged prospecting of the kimberlite.
"So far wa have only scratched the surface," says Mr Robert Jones, Odebrecht's min-ing manager. This is one of the most promising prospect-

ing areas in the world."
The Catoca kimberlite is estimated to spread over 660 hectares, making it one of the world's largest deposits. SMC plans to spend the first nine years mining the top layers. It pelieves an annual 1.6m tormes of extracted kimberlite could yield between 980-940,000

If that level of output is successfully reached, SMC will fund drilling to a depth of 400m. Potential reserves. expected to be tapped over 30

to 40 years, are estimated at up hasn't it already heen to 200m carats.
Not everyone in the industry shares the company's opti-mism. Mr James McLuskie,

but we disagree about how best to do it." De Beers itself consulting engineer for the

South African giant De Beers,

know what it is. That pipe was discovered more than 30 years ago - if it's so great, why

exploited?
"We agree that grade and quality has to be established,

'So far we have only scratched the surface. . . This is one of the most promising prospecting areas in the world?

Michela Wrong reports on the first major attempt to mine the country's kimberlite pipes

questions the wisdom of launching into low-level production while SMC is still sampling the quality of the pipe.

"The value of the diamonds
per carat is uncertain, and even in their feasibility study the Russians admit they don't

was originally approached to take part in the project but pulled out when marketing was awarded to the Russians. So far the project is in its infancy. A treatment centre, dua to start handling 330 tonnes of dirt an hour by October, is little more than a huge brown gash in the vegetation, being worked over by a bulldozer. More than 350 employ-

ees are hammering prefabricated lodgings for the diggers into place, erecting storage centres, workshops and clinics. Catoca will be the most visi-

ble part of e government drive to bring order to the anarchic Lunda provinces, swamped by garimpeiros when the government passed a 1991 law allowing individuals to own and sell diamonds. The aim is to return the industry to state control by

awarding concessions to com-panies that will work in tandem with Endiama, market diamonds through the public company and take on displaced ourimpeiros as employees. Moving the garimpeiros off the land and relegating them to less profitable river beds has fuelled a certain hostility in neighbouring Saurimo. Diamond mining is the main activity in the town, which tripled

in size when the laws were

SMC's administrative director, believes the locals will realise they stand to benefit in the long term. "Before, the only people who profited were the middlemen. The garimpeiros themselves were paid in local currency and had a miserable existence. Our workers are paid in dollars and there are no

While the point is getting across to the local population, however, the company is taking no chances in e region known for its lawlessness. When SMC officials visit Catoca they travel in convoy and a contingent of well-armed Angolan security men ride

gunshot ahead of them.
"We have never bean attacked, but people here are different," says Mr Ganga Junior. "They have their own rules, administer their own justice. If you break their rules, you pay the price."

### \*Australia 'will not legislate RTZ-CRA sets deadline for zinc mine agreement to extinguish native title'

bloody hattle."

#### By Nikki Talt in Sydney

Mr John Howard, Australia'e prime minister, indicated this week that despite pressure from the mining industry and backbenchers, his government would not be legislating to ensure that past grants of pastoral leases extinguished

Uncertainty was left in this area by Australia's 1993 Native Title Act, prompting an outcry from the mining and rural

industries. Miners and pastoralists ments. claim that major development projects have stalled because it is unclear whether would-be developers are required to go through a complex negotiation process with aboriginal claim-

On Tuesday Mr Howard told

BASE METALS

ernment would shortly be circulating a discussion paper outlining options for amending the Native Title Act, "those options will not include a proposal through legislation to

extinguish native title". The coalition government is thought to have received similar advice to the former Labour administration - that if it legislated on the issue, that law could be challenged under the Racial Discrimination Act, and also that the government could be liable for compensation pay-

Instead, the issue will be left to the High Court, which is due to hear a case involving native title rights on land subject to a pastoral lease next month. However, most lawyers acknowledge that any compre-hensive determination in this area by Australia's highest

Precious Metals continued

GOLD COMEX (100 Tray oz.; \$/tray az.)

indicial authority may take years to achieve. In the meantime, Mr Howard said that the paper would can-

vas means of curtailing the "right to negotiate" process, in an effort to accelerate and simplify the developer's task. "The notion that any option to propose a more stringant approach to the right to negotiate would would be taking a right away from native title holders which has not be taken away from holders of other common law titles in Australia would not be a valid argument." he said.

Speculation that the government was disinclined to legislate in this area has been mounting for several weeks, prompting the discussion paper to be delayed and party-room meetings to be held with dismayed backbenchers.

GRAINS AND OIL SEEDS

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WHEAT LCE (E per trane)

#### By Nikki Tait

Anglo-Anstralian mining group, yesterday set a June 80 deadline for reaching a settlement with aboriginal groups in northern Queensland that would permit its proposed A\$1.1bn Century zinc mine to

The mining group gave a conditional go-shead to the project - which would be the world's largest zinc mine - late last year. However, it subsequently became clear that the local Waanyi people were entitled pursue a claim for native title over land incinding the mine site, and CRA has so far failed to win their backing for any development in the

At CRA's annual meeting in Melbourne yesterday, Mr John Uhrig, chairman, told share-holders that until a few days ago, it had seemed likely that the project would be put on

SOFTS

# COCOA LCE (E/torne)

In the light of RTZ-CRA's problems with the Century Zinc project, Pasminco, the Australian metals group, is to ask the Dutch authorities for a six to nine-month extention to the July 1998 deadline set for the Budelco smelter in the Netherlands, Reuter reports. Budelco has been ordered to stop producing a hazardons waste called jarosite by that time and the proposed Century mine is the only possible source of the 'clean" concentrate the Dutch smelter needs.

Budelco, has an annual capacity of 200,000 tonnes or about 5 per cent of western world hold and the project team dishanded - a move that could have led to the mine plan

Century also needs Budelco becausa the smelter will take about half its projected output of 750,000 tonnes of concentrate (an intermediate material).

Korea Zinc, which is building a 170,000 tonnes a year zinc smelter at Townsville, near the Century project in Queensland, said Century was only one of a number of potential raw material suppliers and its smelter would be built even if Century was shelved.

requirements, and analysts suggest its closure would cause a 10 per cent rise in zinc prices.

being abandonned.

But he said that a meeting last week of nearly 300 aboriginal people had given qualified support, and there was also an agreement to set up a more formalised negotiation process. As a result, the RTZ-CRA board had postponed until end-June its decision to cease expenditure on the project.

Mr Uhrig added that even if

broad support from the aboriei-

nal community was forthcoming by then, the company would still need secure legal title by the end of September. It would also need confirmation from Pasminco, the Anstralian zinc producer, thet it would buy a large part of Cen-tury's output for use in its Budel smelter in Holland.

 Plans by Energy Resource of Australia, part of the Mel-bourne-based North group, to develop a new uranium mine in the Northern Territory have been dealt a blow, with the

MEAT AND LIVESTOCK

III LIVE CATTLE CME (40,000lbs; cents/lbs)

84.475 -0.7 65.250 64.150 3.841 80.475 -0.25 61.100 58.825 2,667 56.450 -0.15 57.000 56.850 1,710

53.575 -0.525 54.800 53.300 73.500 -0.775 74.250 73.250

2,587 10,235 1,710 8,742

local aboriginal landowners saying that they do not want the project - known as the Jabiluka mine - to proceed. They are also opposed to milling of Jabiluka ore at ERA's existing Ranger uranium mine,

which is nearby.

Jabiluka would be the first new uranium mine in Austrahia for more than a decade development having been barred under the former Labor government's "three-mines pol-

federal government have said that landowners' permission would be necessary for Jebiluka'e development, the situation is complicated from a legal standpoint because the traditional owners gave approval to a different mine scheme for the same ore-body back in the early-1980s. ERA also said that discussions were still continuing between traditional owners and the Northern Land Coun-

cil, the representative body for local aboriginal interests. Aside from the local landowner issue. Jabiluka's development is also dependent on it winning environmental approval - a matter now being considered by Senator Robert Hill, the federal environment minister, Senator Hill said that he expected to meet members of the Northern Land Council on Monday.

ERA, meanwhile, announced a nine-month profit after tax of A\$11.3m to end-March, com-

#### parliament that, while the gov-COMMODITIES PRICES

LONDON METAL EXCHANGE ALUMINICAL BR.T PURITY (5 per tornel 1687-8 1580-0.5 Close Previous High/low 1553.5-4.5 1545.5-6.5 1594/1582 1539-9.5 Kerlo close Open int. 47.917 ALUMINIUM ALLOY (5 per ten 1330-40 1290-300 1340-45 1340/1330 1305/1295 1292-3 Kerb close Open int. Total daily turnover 4,919 1,290 ■ LEAD (S per torme) 843-4 832-3 Close Previous High/low AM Official 835-6 834/833 834.5-5.5 Kerb close Open int. Total daily turnover MICKEL (5 per tonne) 7850-60 8020-25 Close Previous High/low AM Official 7915-25 8080/7780 7725-35 Kerb close Open int. Total delty turnover 42,558 25,232 TIN (\$ per tonne) 6220-30 6255-65 5260-70 6300/6190 6215-25 6240-5 AM Official Kerb close 6180-00 16,781 5,008 Open int. Total daily turnover ZINC, special high grade (5 pe 1037-8 1030.5 1057-7.5 AM Official Karb close 71,964 11,022 Open int. Total daily turn E COPPER, grade A (\$ per tonne

+2.0 118.70 115.40 +12.0 118.90 115.50 +22.0 114.00 108.70 15.50 +1.55 111.50 108.00 +1.55 111.50 108.00 +0.40 108.70 109.70 55 600 10.537 41.998 PRECIOUS METALS ■ LONDON BULLION MARKET (Prices supplied by N M Rothechild) \$ price 391,20-391.70 391.00 391.00 390.90 391.60-392.10 390.70-391.20 390.30-390.70 \_.4.55

p/troy 6Z. 350.25 354.95 359.80 369.05

\$ price 391-394 401\_90-404.45

529.25 535.55 541.90

555.20

£ equiv. 258-260

2510-15 2555/2550 2448-50

183,962 99,265

LIME AM Official 9/8 rate: 1,5100 LIME Closing 9/8 rate: 1,5094

HIGH GRADE COPPER (COMEX)

Closs Previous High/low AM Official Kerb close

2 months 3 months

Krugemend Maple Ledi New Sovereign

pricins

A. 2. 1994

Open int. Total delly turnover

400.2 -1.0 401.5 397.1 2131 20,179 403.4 -0.8 403.5 402.0 101 4,259 406.2 -0.7 406.0 408.0 19 991 PALLADIUM NYMEX (100 Troy 62.; \$/troy 62.) 130.05 -0.85 130.25 128.00 1,135 1,486 131.25 -0.85 131.25 130.50 895 4,825 132.25 -0.86 132.50 132.25 187 704 SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) +4.5 531.0 531.0 11 +4.5 531.5 531.5 -**ENERGY** E CRUDE Oil, NYMEX (1,000 berrols, \$/barrel) 21.48 +0.65 21.50 20.37 59.874 97.746 20.40 +0.82 20.45 19.55 19.254 51.854 19.56 +0.85 18.60 19.00 5,746 35,745 19.06 +0.22 18.08 18.70 2,748 22.382 18.80 +0.16 18.80 18.36 1,793 17.377 +0.16 18.70 18.20 5,873 33,323 CRUDE OIL IPE (\$/barrel) Low Vol 17.50 12.073 39.942 18.10 +4.45 18.18 17.45 2.154 13.107 17.72 +4.27 17.70 17.26 931 9.222 17.21 -4.06 17.23 17.19 109 5.103 17.25 +0.14 17.25 17.00 282 12.994 38,660 185,132 2434-6 2452-4 2446/2345 HEATING OIL HYMEX (42,000 US gails; c/US gails.) Lainet Day's price change High Low Vel let 55.00 +0.94 55.50 53.50 8,959 15,393 54.20 +1.24 54.70 52.60 53.70 +1.08 54.00 52.40 53.85 +1.04 54.10 52.80 54.35 +1.04 54.50 53.25 54.00 +0.14 54.00 54.00 2,555 14,724 1,102 9,211 5 151 4,911 615 5,387 23,842 181,652 Spoit: 1.5110 5 miles: 1.5086 8 miles: 1.5089 9 miles: 1.5056 8ad Dey's price change High Low Voi 169.50 +4.75 177.25 163.50 8.061 1 165.25 +0.00 166.50 159.75 4.135 1 163.75 +3.25 184.00 159.00 1,390 163.75 +2.75 182.50 159.50 840 164.00 +2.75 162.5 160.25 65 164.00 +2.50 161.50 161.50 3 640 4,336 65 1,821 3 1,421 15,689 52,251 MATURAL GAS NYAEX (18,000 mmBin.; \$/mmBin.) 2.315 +0.020 2.375 +0.033 2.380 +0.028 2.355 +0.031 2,320 2,265 19,982 21,784 8 127 32 068 2.380 +0.028 2.390 2.340 2.385 +0.021 2.356 2.310 2.325 +0.018 2.330 2.295 2.345 +0.015 2.345 2.315 1,919 18,536 1,203 12,463 902 8,723 NYMEX (42,000 US galls.; c/US galls.)

64.90 62.85 13.300 19.651 63.35 61.70 9.811 20.548

53.75 53.75

60 15 3,413 14,653

-0 96 +0.14

+0.5 392.2 391.1 41,331 64,822 +0.7 +0.9 395.4 394.2 13,743 47,721 +0.9 397.9 397.0 458 6,177 +1.0 480.9 399.8 1,063 33,64 +1.0 480.9 399.8 1,063 33,64 120.65 -0.10 120.50 120.50 PLATINIUM NYMEX (50 Troy oz.; Stroy oz.) WHEAT CET (5,000bu mir; cente/60th bushel) 502.75 -13.5 584.00 558.00 18,884 55,478 561.00 -12 576.50 557.00 3,594 17,087 588.00 -12.5 582.50 564.00 4,713 18,712 500.00 -18 577.00 560.00 571 1,722 510.00 -18 519.00 511.00 8 175 449.00 -3 450.00 443.00 153 1,585 101 19 12 MAJZE CET (5,000 by min; cents/56th bushed 485.57 -14.75 502.00 484.00 32,277 156,648 401.00 -4.75 403.50 389.00 22,554 78,966 343.25 +1.25 348.75 387.00 41,687 154,867 348.25 +0.75 352.00 345.00 11,83 18,823 350.00 +1 353.00 345.00 128 2,866 BARLEY LCE (E per torre) SOYABEANS CET (5.000bu min; centa/60b busho) 795.75 -1.75 804.50 791.00 24,490 78,157 797.25 -1.25 804.00 791.60 1,475 13,137 778.75 -1.25 783.75 772.50 \$89 7,093 765.75 +125 771.50 769.00 13,044 79,060 775.75 +2.25 777.00 769.00 222 7,280 779.00 +1.5 789.00 773.90 165 2,675 40,687 196,683 26.75 +0.01 25.67 26.53 5.533 45.883 26.59 +0.01 27.03 26.71 635 11,863 27.15 +0.02 27.10 26.90 21.5 5.638 27.30 +0.10 27.15 27.02 150 4.440 27.50 +0.05 27.55 27.33 1.899 20,199 27.53 +0.15 27.55 27.33 2 2 1,847 SOYABEAN MEAL CET (100 tone; \$/ton) Jel Ang Sup Cet Doc Jen Total POTATOES LCE (E/torne) Jen How Mar Apr May Total 225.0 82.5 110.0 123.0 141.0 Jiny Juli Oct Jun Apr Total 1378 Choca 1395 rie:

Note and Seeds
Prices from Kenkko Group; USS a torne, iranian pistachics 28/30 raw (in shall) naturally opened (ound); 1995 crop 3/300 CFR/FOT MEP. US almords (shalled), light ansibility for 1995 crop; New crop 23/25 MPSSR at 5,640 FAS Cationnia, September/Colober shipment, US wahuts UHP 20% - new crop estimate will be published at the end of May; prompt prices 6,100 FAS Cationnia, sesy, Indian cashews raw; 1895 crop, W-320, 6,100 spot Europe - soft: 1996 crop from origin at 5,550 CFR India for second half of 1996, Turtish hazahrut kernels, 13/15 standard 1s, 1995 crop, 3/100 FOB MEP; new crop at 3,000 FOB MEP, Turtish apnoots No. 4, 1996 crop at 2,400 2,400 FOB MEP, firming, Chinese pine rut kernels; Chinese desaulong on contracts following price increase from 4,500 to 7,000, Israeli sunflower seed - new crop 8mm; estimate at 1,800 CFR.

1084 2,514 21,227 1104 576 46,060 1039 804 30,288 1031 301 34,793 1042 3,050 18,487 106 1,686 4 389 85 3,235 10 979 15 196 1085 1109 1040 1054 1044 In LIVE HOGS CME (40,000ths; cents/libs) ■ COCOA CSCE (10 tornes; \$/tornes) Jul Sep Bac Mar Mar May Jul Takat 1350 8,467 28,472 1357 2,293 19,521 1391 555 18,389 1403 106 13,524 1420 1 8,055 - 7 5,630 1383 1381 1400 1412 1432 1445 1374 1383 1405 1412 1420 153 1,585 25,787 95,821 1,423 15,822 ■ GOCOA (ICCO) (SDR's/tunne) May 21 Daily \_\_\_ Price 1047.83 COFFEE LCE (\$/tonne) +1 353.00 347.00 124 2,966 +1 353.00 346.50 159 3,930 1943 -67 2000 1855 -85 1925 1836 -67 1808 1839 -75 1863 1634 -78 1865 1785 -71 -1940 291 1,086 1850 4,382 18,479 1845 619 7,259 36 71 637 125 41 919 120.45 -3.75 125.00 119.70 4,741 18,116 119.50 -3.70 122.50 118.90 552 0,057 117.00 -4.00 121.50 118.90 218 2,949 118.25 -4.15 118.25 115.25 30 954 114.00 -4.25 719.50 114.00 19 335 Jul Sap Jec Har Hery Total COFFEE (ICO) (US certa/pound) WHITE SUGAR LCE (\$/tonne) 378.2 -0.2 378.4 375.8 1,078 10,780 347.3 -0.9 348.0 345.1 548 5,607 335.3 -1.7 338.0 333.5 304 3,544 330.3 -1.9 332.0 330.0 42 3,206 323.4 -2.0 - 1,184 327.5 -1.6 - - 235 8,706 91,533 
 245.4
 -2.5
 247.2
 243.6
 10,353
 45,622

 245.7
 -2.2
 247.5
 243.6
 1,089
 11,845

 243.6
 -2.2
 245.0
 241.6
 430
 7,603

 240.5
 -2
 240.9
 238.1
 22
 3,703

 240.1
 -2.8
 241.2
 280.0
 2,910
 18,373

 240.2
 +0.1
 342.0
 239.0
 22
 1,460
 SUGAR "11" CSCE (112,000lbs; cents/fbs) 11.38 -0.01 11.40 11.2311.958 51.451 10.89 - 10.87 10.79 2,798 38,655 10.89 +0.04 10.87 10.70 2,676 29,160 10.77 +0.03 10.77 10.70 1,028 8,222 10.71 +0.03 10.71 10.54 855 8,271 10.85 +0.04 10.89 10.62 80 2,998 19,265 147,784 81.52 +0.80 81.85 80.96 3,440 24,847 61.94 +0.54 61.94 81.40 554 4,273 61.95 +0.58 81.90 81.20 2,218 28,218 62.80 +0.70 82.90 82.15 277 3,549 83.30 +0.55 82.95 82.75 30 1,864 83.56 +0.47 82.80 82.80 18 83 12 1,102 32 1,192 619 570 ■ ORANGE JUICE NYCE (15,000lbs; certs/lbs) 121.40 +8.75 121.80 126.75 530 11.859 120.75 +0.75 120.25 120.25 273 4.774 116.75 +0.75 116.00 116.00 48 1.851 114.70 +0.30 115.00 114.80 89 3.857 116.45 +0.25 117.00 117.00 - 258 117.86 +0.25 - - 150 VOLUME DATA Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CME and CSC are one day in smears. Volume & Open Interest totals are for all traded INDICES ■ REJTERS (Base: 18/9/31=100) CRE Putures (Base: 1967=100)

May 20 month ago 258.24 251.07 ■ GSCI Spot (Base: 1870=100) May 20 month ago 212.03 212.35

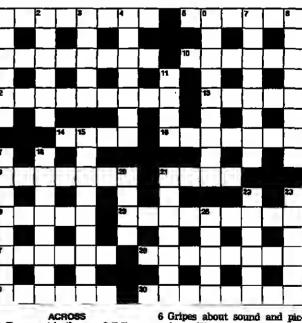
90.530 +1.85 80.530 88.850 182 500 LONDON TRADED OPTIONS Strike price S toone - Calls - - Pots -Grade A) UME 141 124 109 114 147 184 1900 . III COCCA LCE Jes Sep BRENT CRUDE IPE LONDON SPOT MARKETS Brent Blend (dated) Brent Blend (July) \$21,43-1,47x ■ OIL PRODUCTS NWEprompt delivery CF (forme) Heavy Fuel Of Naphthe Jet fuel \$87-89 \$186-168 \$193-195 \$179-181 MATURAL GAS (Per 10.1D-10.60 Petroleum Argus. Tel. Lond

THER Gold (per troy oz)\$
Stiver (per troy oz)\$
Platinum (per troy oz.)
Pelladium (per troy oz.) +0.40 Copper Lead (US prod.) Tin (Kusta Lumpur) Tin (New York) 15.52 +0.10 Cattle (five weight)
Sheep (five weight)
Pigs (five weight)
Lon. day suger (ave)
Lon. day suger (ave)
Barley (Eng. Seed)
Maize (US No3 Yellow)
Wheat (US Dark North) Rubber (Jul)♥ Rubber (Jul)♥ Rubber (KL RSS No1) 104.00p 104.00p 376.50m -20 Coconut Oil (Philis Pelm Oil (Malay.)S Copra (Philis Soyabeans (US) Cotton Outlook'A' index C nor tome unions orientate trained, p perceifig, a centerfu-r ringglifig, in Meterption centerfue, a Meyillen, x Jul. v Apri May: y Aprilum. w Jurville. Y London Physical. S CF Rotterdam. B Bellion market close. " Change on week. 18ased on 1,750 head of pigs sold.

Although both ERA and the pared with A\$5.8m a year ago. **JOTTER PAD** The solution is HPC onputer Systems.

#### CROSSWORD

No.9,076 Set by VIXEN



5 "Money is like muck, not good except it be —", so Bacon wrote (6)

shops (8)

10 Many, if retired, get to seem restless (6)

11 Testless (6)

12 Appearing before the court the head is upstanding (5) 12 Sort of paint responsible for 17 Bread and ale together can be filness (9)

so easy to digest (8)

13 An American novelist - or 18 Criminal beasts generally maybe two (5) favoured (6)

14 Refuse from the garden yields 20 Well-nigh parsimonious (4)

excellent compost (4)
18 Satisfied constituents (7)
19 The odd components are sent from the Orient (7)
21 Very repetitive – only just tolerable (2-2)
24 Gave a hand all round (5)
25 Cheered an ensemble, being a 20 Well-nigh parsimonious (4)
21 The guy working quietly according to plan (7)
22 A tenant in time sees certain material advantages (6)
23 Object to 29's organisation (6)
26 Set about the first woman magistrate! (5) 24 Gave a hand all round (5) 25 Cheered an ensemble, being a

27 Scholars Edward thrashed (6) 28 The current rating (8)
29 This man's a high-filer high-minded individual (6) 30 With the old king even the DOWN

1 Bearing on readily available drink (6) 2 There's no overcrowded town in Denmark (6) 3 Run through a thousand in backing iron production (5) 4 Degenerate taking a prize (7)

Solution 9,075

tures (9)
7 Critical in the extreme

though deeply impressed (8) 8 Set off for school, filling in

#### INTERNATIONAL CAPITAL MARKETS

By David Pilling

in Buenos Aires

Argentina bas scrapped a

controversial law that would

have obliged all private-sector

europote placements in bearer

form to be converted to non-

The decree, issued in March

but applied retroactively to all

outstanding bearer certifi-

cates, was introduced to crack

down on tax avoidance by

Argentine citizens, many of

whom anonymonsly lodge

money offshore in Argentine

Mr Domingo Cavalio, ecou-

omy minister, said the law had

been intended for share certifi-

cates only, but that Congress

had "unfortunately" extended

"Today a decree will be pub-

lisbed exempting bolders of

private bonds from the need to

identify themselves," be said.

contemplate the situation of

old bonds issued in physical

form, and underestimated the

effect it would have, particu-

larly in Europe," said one local investment banker. "The

government did show flexibil-

ity in understanding the prob-

lem and in trying to fix it, but

"I think that the law did not

companies' eurobonds.

the norm to euroboods.

endorsable, registered form.

### Bunds hit by money supply data

By Samer Iskander in London and Lisa Bransten in New York

European markets weakened in the wake of bunds after the release of slightly disappoint ing German money supply data. Liffe's June bund future closed at 96.70, down 0.20.

The M3 monetary aggregate grew by an annualised 11.2 per cent in April, down from 12.3 per cent in March. Although this figure was in line with expectations, some analysts had been hoping for a rate of growth closer to 10 per cent.

Economists at UBS in Frankfurt said the slowdown could nonetheless "serve as justification for the Bundesbank council to [start cutting] the repo rate" perbaps from next Thursday. They forecast a gradual easing process, leading towards 3 per cent by September from 3.30 per cent oow.

■ Freoch OATs fell in line with bunds. Matifs June notional future ended the sessioo down 0.34 at 123.32. In the cash market, the 10-year yield spread over bunds remained stable at 2 basis points.

Analysts continued to focus on signs of social unrest and political instability. The Frencb franc weakened alightly against the D-Mark. which dispelled hopes of a unide France after today's meeting of its monetary policy

Cades, the government agency in charge of the financing of aocial security deficits, yesterday chose Caisse des Dépôts and Société Générale as lead managers for a twotranche bond issue. The maturities will be 2002 and 2007. The amount is expected to be in the range of FFr20bn to FFr35bn.

#### GOVERNMENT BONDS

■ UK gilts also closed lower after a very quiet session. Liffe's June long gilt future settled at 1064, down 18.

Ms Marie Owens-Thomsen

chief economist at BIP/Dresdner Bank in Paris, is bullisb on the UK market. She says gilt prices currently reflect gloomy - but very unlikely - expecta-tions on the political, deficit and inflation froots. She therefore recommends buying gilts against most other European as well as US - bonds.

She predicts a tightening of the 10-year spread over bunds to around 160 basis points. At yesterday's closing levels, this spread was down by one basis point at 173 points. also consider that "the gilt

Analysts at Merrill Lynch

market offers good longer-term

widening of the apread over bunds to end lower in subdued bunds to around 180 basis points in the run-up to next week'a auction of £3bn of 8 per cent gilts due 2021, but would expect such widening to be short-hyed.

■ Italian bonds ended a quiet session slightly lower. The presentation of the new government's economic programme came too late in the day to affect the market.

Liffe's June BTP future closed at 115.44, down 0.21. In the cash market, the benchmark 10-year BTP lost 0.25 to close at 100.61, leaving the yield spread over bunds unchanged at 318 basis points.

Observers expect a positive reaction to yesterday's comments confirming the govern-ment's commitment to reining in inflatioo and public deficits.

Mr Romano Prodi, the new prime minister, also told tha Senate be would seek to re-integrate the lira in the European exchange rate mechanism as soon as a mini-bodget was approved.

The BTP future reacted positively to the announcements on APT, Liffe's after bours actomated trading system, rising by about one-eighth percentage point from its closing

value". They do not rule out a ■ Spanish bonds followed trading. The June 10-year bono future closed at 98.82, down 0.17. in the cash market, the 8.80 per cent bono due 2006 closed at 97.62, down 0.20.

> ■ US Treasuries were weaker in quiet trading early yesterday but with prices still in the range they have held for most of this month. Near midday, the benchmark 30-year Treasurv was 14 lower at 88% to yield 6.869 per cent and the two-year was down & at 9914. yielding 6.028 per cent.

> The June 30-year bond fell to 1091, but Mr Richard Gilhooly, international bond strategist at Paribas Capital Markets in New York, said the future seemed to have found support near the 109% level. He described trading in the cash market as "lacklustre" and attributed the modest

weakness to the declines in European bond markets. Bonds received some support from a decrease in commodity prices. By early afternoon the Knight Ridder-Commodity Research Bureau commodity index was 0.73 lower at 256.89. The dollar was little changed

against the yen and the D-Mark, changing hands at Y107.01 and DM1.5410 compared with Y107.16 and DM1.5411 late on Tuesday.

> it doesn't appear to have been well managed." Mr Cavallo admitted that the original bill, which he said affected 12 companies with outstanding bearer bonds, had

> created confusion. News of yesterday's reversal was warmly received by most debt traders, many of whom had been caught unawares by the original legislation.

> "We received dozens of phone calls from people trying to figure out what was going on," said one analyst in New York, "Although today's news is positive, I think as a wbole it has been a pretty unfortu-nate incident," be said.

Lip to 5 years (22)

FT-ACTUARIES FIXED INTEREST INDICES

-0.07 -0.25

121,48

145.88

2.30

2.69

121,37 145.50

160.67 179.96

#### **Emerging market deals Argentina** reverses attract strong demand euronote By Conner Middelmann The Republic of Colombia tax move

Emerging markets issuers bogged the limelight in the eurobond market vesterday. attracting strong demand from yield-bungry investors around the world

First off the mark was the Republic of Turkey, whose \$300m three-year offering saw sucb demand that it was increased to \$400m - the largest dollar transaction Turkey has ever issued.

Although Turkey's credit ratings have not improved since its three-year dollar deal last September, the pricing on its latest offering was vastly better: the previous deal was launched at a spread of 300 basis points over US Treasuries, while yesterday's bonds were priced at a spread of only

210 basis points. Joint book-rungers J. P. Morgan and UBS reported strong demand from investors in Asia, Europe and the Middle East. There is widespread demand for short-dated spread product, and Turkey has the added benefit of being an OECD sover-eign," said one official. The deal was not marred by political jitters after Ms Tansu Ciller

vesterday called for Prime Min-

400

3.78 5 yrs 4.09 15 yrs 3.48 20 yrs 6.12 kned.†

ister Mesut Yilmaz to resign.

made a similarly successful foray in the dollar market, sparking talk that it, too, might increase its \$300m fiveyear offering today. The bonds will be priced today at 150 basis points over Treasuries, said joint leads Salomon

Brothers and SBC Warburg. Traders reported a solid response on a global basis. Qualified US institutional investors can buy the paper

#### INTERNATIONAL BONDS

under SEC Rule 144a, but Colombia was keen to target the bulk of the deal at Europe and Asia, since it already has a strong presence in the US.

Although European investors can invest in comparable triple-B credits closer to home, such as Greece or Poland, Colombia's more generous yield spread was a significant attraction for them, dealers said. Three Colombian parastatals

are expected to tap the market this summer, said Mr Clemente del Valle, director of public credit, at a London roadshow. J. P. Morgan and Salomon Brothers have been appointed to arrange a \$250m Rule 144a

transaction for Fen, the energy financing agency; Bancoldex, the country's export credit bank, is to issue a Samurai via Nikko; and Ifi, the state-controlled development bank, is likely to issua \$100m of bonds.

Bancomext, Mexico's foreign trade bank, launched its first dollar offering since last year's peso crisis, a \$250m 10-year Rule 144a offering via Bankers Trust. The spread of 470 basis points over Treasuries was deemed generous. "We had clients who would have paid 455

for it," said a London trader. Another emerging markets deal was a \$300m structured axport note offering for Imexa Export Trust, a vehicle which has the benefit of receivables generated by the sale of steel slabs from Ispat Mexicana to Mitsubishi Corp of Japan.

Elsewbere, Canada coofirmed plans to launch a global five-year dollar bond of at least \$1bn via Goldman Sachs, Morgan Stanley and RBC Dominion. The issue is expected to be launched today and priced tomorrow at around 14 basis points over Treasuries. Ford Motor Credit and the

Council of Europe are also in the pipeline, with five-year deals of \$750m and \$500m, respectively.

### ADR issue for Korea Mobile Telecom

By John Burton in Seoul

Korea Mobile Telecom (KMT) will become the third South Korean company to be listed on the New York Stock Exchange when it makes a \$375m American depositary

receipt issue in July. Korea's main cellular phone operator has been a perennial favourite among foreign investors on the Seoul bourse because of its high profit margins, with net earnings of Won181bn (\$232m) on sales of Won1,322bn in 1995.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Red

yesterday up Won15,000 at

Won765,000. The offering will be the single largest issue by a Korean company to date on the NYSE, exceeding the \$300m ADR issues by Pohang Iron & Steel (Posco) and Korea Electric Power (Kepco) in 1994. KMT, wbicb is controlled by the Sunkyong group, will also be the first Korean company outside the state sector to gain a

listing on the NYSE. Other Korean companies, such as Samsung Electronics.

Its shares closed in Seoul have encountared difficulties in being listed on the NYSE because of its requirement that US GAAP accounting stan-

dards are accepted. Moat Korean companies instead bave issued global depositary receipts in the European markets, where accounting rules are more flexible. The ADR issue by KMT will

be based on \$150m of new shares to be issued at the end of June and another \$215m in shares to be acquired by Citibank from the US-based Tiger

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

It will be the first time that a foreign depositary agency will have acquired the outstanding shares of a Korean company to issue ADRs against the underlying sbares, Goldman Sachs will be the lead manager of the KMT issue.

KMT is raising capital abroad to belp finance the replacement of its analogue cellular phone network with a digital system to compete against its new domestic competitor, Shinsegi Telecom, which began operations last

#### **NEW INTERNATIONAL BOND ISSUES** Jun 1999 0,75R Jun 2001 0,625R May 2003 2,50 May 2006 0,875R Dec 1999 0,258R Jun 2006 0,564 Jun 2001 0,25R +210(61+%-99) JP Morgan Secs/UBS +150(WI 5yr) Salomon/SBC Warburg +3877/5yr) CS First Beston +470(61-%-06) Bankers Trust Inti +13(61-%-99) Deutsche Morgan Grantel Salomon Brothers Inti Bear Staame Inti Republic of Turkey Republic of Colombia Imexa Export Trust 96-1(b,/) 8.25# (a) (b1) 11.25# 8.375 Peps/Cc(s) Den Danske Commerzbank O'seas Finance(s) 300 5.375 99.48R Nov 2001 0.275R +17½(8%%-01)ABN Armro Hours Govett DANISH KRONER

101.12 Jul 2001 1,875 Final terms, non-callable unless stated, Yield spread (over relevant government bond) at launch supplied by lead manager, \* Unisted, \$ Floating-rate note, # Semi-arroad coupon, R: fixed re-offer prox; fees shown at re-offer level, a) Prioxid today, b) Backed by receivables generated by sales of steel slabs from lepat Mexicana to Mitsubishi Corp. Quarterly coupons, Average life; 5 years, b1) Proced later, c) \$200m launched 9/5-96 was increased to \$300m, Cellable from 2003 at par, c1) 6-mth Libor +377/bp to June 2003 and -1977/abp thereafter, d) \$200m launched 20/5-95 was increased to \$250m, Cellable from Dec 1997 at par, d1) 3-mth Libor +25bp, e) \$2.5% to 17/7/99 and 8.25% thereafter, i) Long 1st coupon, a) \$hort 1st coupon.

7.46 8.20

7.67

May 22 May 21 Yr. ago

7.55

May 22 May 21 Yr. ago May 22 May 21 Yr. ago May 22 May 21 Yr. ago

7,52

8.21

7.76 7.92

7.65 8.34

May 22 May 21 Yr. ago

7.60

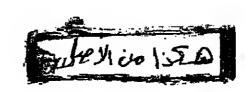
8.28

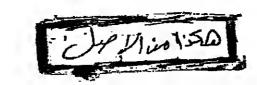
EXCHANGE TO

\*--

	Coupon	Red Date	Price	Day's change	Yield	Week	Month	Strike Price	Jun	Jul Ci	Aug -	Sep J	UT .	PUTS Jul Aug	Sep
Australia	10.000	02/06	108.0920	-0.070	8.77	8.77	9.05	9850	0.26	0.28	-			.98 1,22	1,41
Austria	6.125	02/08	87,6300	-0.370	6.46	9,42	6.55	9700 9750	0.03 0	0.15				35 1.55 77 1.92	1,72 2.07
Belgium Canada "	7.000 8.750	05/06 12/05	102,2500	-0.130 -0.420	6.68 7.68	5.69 7.71	6.73 7.76		_					82875 Pues 2	-
Dermark France BTAN	B.000	03/06	104.0000	-0.360	7.40	7.39	7.44	14							
France BTAN OAT	5.750 7.250	04/06	100,7500 105,5400	-0.250 -0.210	5.55 6.47	5.58 6.48	5.72 8.57	Italy							
Germany Bund Instand	6.250 8.000	04/06 08/06	98,5400 102,7400	-0.230	8.45	8.45	6.46		WAL ITALI 'Lka 200m			IP) FUTUR	E5		
Haly	8,500	02/06	100,6100	-0.150 -0.250	7.59 9.40†	7.63 9.54	7.92 10.25		Open	Sett price		High	Low	Est. vol	Open Int.
Japan No 140	6,600	06/01	116.9247	-0.170	2.41	2.51	1.96	Jun	115.68	115.44	-0.21	115.77	115.30		67118
No 182 Netherlands	3.000 8.000	09/05 01/06	98.2479 97.4600	+0.040	3.25 6.36	3.34 6.33	3.25 6.44	Sep	115.05	114,80	-0.21	115.05	114.75		7797
Portugal	11,875	02/05	117.1900	-0.170	8.94	9.05	9.28	# ITALIA	N GOVT. B	OND (BTP	FUTURE	OPTIONS	(UFFE) L	i-a200m 100	ths of 100%
Spein Sweden	8,800	04/08	97.6200 85.1150	-0.200 -0.700	9.16 8.48	9.18 8.41	9.39 8.40	Strike		_	யு —			PUTS	
UK GIIIS	8,000	12/00	102-06	-2/32	7.42	7.36	7.47	Price		Jun	Se	•	Jun		Sep
	7,500 9,000	12/06	96-04 106-12	-5/32 -12/32	8.05 8.17	8.05	8.07 8.15	11500 11550	,	0.44	1.7		0.08		1.92 2.19
US Treasury *	6.975	05/06	101-10	-18/32	6.69	6.34	6.54	11600		Ō	1.2		0.56		2.48
ECU (French Govt)	8,000 7,500	02/26 04/05	88-31 103.7800	-20/32 -0.290	6.97	8.84 6.90	6.84 7.01	Est val so	tal, Coms 3815	5 Puts 4880.	Previous de	y's open in.,	Culls 812	12 Puts 10963	0
Landon closing, "New Yo						çal mark	est exampland.	Spain							
† Gross (including within Priors: US, UK in 32nds,			con payable	by nonema		e: MMS	èronementament	M NOTIC	NAL SPANI	SH BOND	FUTURES	(MEFF)			
									Ореп	Sett price	Change	High	Low	Est. vol.	Open Int.
US INTERES	RATE	:S						Jun	99.11	98.82	-0.16	99.23	98.75		55,915
Latest			Treasury		Bond Yield	ts to		Sep	•	98.29	-	-		334	1,154
Prime rate		dinon so			res year		6.05	UK	NA1 10 C		ER A ICEI	CEN CON CO	rodo of 45	V194	
Project loan rate	7 To	100 Margi.		5 1R F	Aba.		6.22 6.43 6.68	H NOIR	NAL UK GI						On- !::
Fed Junds at Intervention,	5,2 Sb On	O Acet		5.56 30	-year		8.86	Jun	Open 106-18	Sett price 106-08	-0-06	High 105-16	106-03	60979	Open Int. 102781
								Sep	105-15	105-09	-0-06	105-15	105-04		21061
								E LONG	GET FUTU	RES OPTION	CHELLY SINC	) £50,000 6	4ths of 10	00%	
								Strike	1.0	-	us	-		PUTS -	-
POND PROT	DEC AN		770100					Price	Jun 0-22	Jul 0-36	Aug 0-62 1	Sep Ju  -15 D-0		lul Aug 18 1-44	Sep 1-61
BOND FUTUR	CO AN	UP UP	INTO					107	0-02	0-17	0-40	)-54 O-8	90 1-f	83 2-22	2-36
								108	0	0-07		)-35 1-4			3-17
France								Est. Wal. 101	al, Call, 3026	PLAS 4052.	HIENORI GE	y'll open InL.	Galls 4734	15 Puts 45612	
B NOTIONAL FREN	CH BOND	PUTURE	S (MATIF) F	Fr500,000	)			Ecu							
Open	Sett price	e Chang	e High	Lo	w Est.	. vol.	Open Int.	ECU B	OND FUTU	RES (MATI	F) ECU100	,000			
Jun 123.64	123.32	-0.3				2,251	154,219		Open	Sett price	-	High	Lów	Est. vol.	Open int.
Sep 122.14 Dec 120.88	121.84	-0.30 -0.30				213 187	14,201 8,018	Jun	91.40	91,14	-0.24	91.40	91.00	5,105	6,293
E LONG TERM FRE					_	-		Sep	90.72	90.70	-0.24	90.72	20.72	500	20
Strike					PUT	2		us							
Price Ju	n .	iui i	Sep	Jun	Jul	_	Sep		EASURY BO	NO FUTU	RES (CST)	\$100,000 3	2nds of 1	00%	
120 .	n .	hal -	Sep		Jul 0.21	1	0.59		Open	Latest	RES (CST)		2nds of 1	00% Est. vol.	Open int.
		hii - .54	Sep - 1.78	Jun 0.02 0.05	Jul	1		Jun	Open 109-17	Latest 109-14	Change -0-04	High 109-23	Low 109-10	Est. vol. 226,083	Open int. 343,730
120 121 122 1.3 123 0.5	19 D	- .64 .27	1.78	0.02 0.05 0.20	Jul 0.21 0.40	1	0.59 0.90	Jun Sep	Open 109–17 109–00	Latest 109-14 108-28	Change -0-04 -0-04	High 109-23 109-08	Low 109-10 108-24	Est. vol. 226,083 38,228	343,730 62,132
120 121 122 1.3	39 0. 54 0. 10 0.	- .64 .27	:	0.02 0.05 0.20 0.76	Jul 0.21 0.40 0.75 1.36	1 0 5	0.59 0.90 1.31	Jun	Open 109-17	Latest 109-14	Change -0-04	High 109-23	Low 109-10	Est. vol. 226,083 38,228	343,730
120 127 122 1.2 123 0.5 124 0.1	39 0. 54 0. 10 0.	- .64 .27	1.18 0.40	0.02 0.05 0.20 0.76	Jul 0.21 0.40 0.75 1.36	1 0 5	0.59 0.90 1.31	Jun Sap Dec	Open 109–17 109–00	Latest 109-14 108-28	Change -0-04 -0-04	High 109-23 109-08	Low 109-10 108-24	Est. vol. 226,083 38,228	343,730 62,132
120	39 0. 54 0. 10 0. 540 Puts 11.	- -64 -27 -09 -457 - Pres	1.78 0.40 mous day's o	0.02 0.05 0.20 0.76 per int., Co	Jul 0.21 0.46 0.75 1.36 1.37 uls 147,427	1 5 5 7 Puts 1	0.59 0.90 1.31	Jun Sep Dec Japan	Open 109-17 109-00 108-14	Latest 109-14 108-28 108-11	Change -0-04 -0-04 -0-04	High 109-23 109-09 108-14	Low 109-10 108-24 108-08	Est. vol. 226,083 38,228 3 256	343,730 62,132
120 121 122 122 123 0.5 124 0.1 5st. vol. total, Calls 14,6	39 0. 54 0. 10 0. 540 Puts 11.	- -64 -27 -09 -457 - Pres	1.78 0.40 mous day's o	0.02 0.05 0.20 0.76 per int., Co	Jul 0.21 0.46 0.75 1.36 1.37 uls 147,427	1 5 5 7 Puts 1	0.59 0.90 1.31	Jun Sep Dec Japan	Open 109-17 109-00 108-14 NAL LONG Y100m 100	Latest 109-14 108-28 108-11 TERM JA this of 100	Change -0-04 -0-04 -0-04	High 109-23 109-09 108-14	Low 109-10 108-24 108-08	Est. vol. 226,083 38,228 3 256	343,730 62,132
120 121 122 1.3 122 1.5 123 0.5 124 0.1 Est. vol. total, Calin 14,6 Germany B NOTIONAL GERN Open	39 0 44 0. 10 0 440 Puts 11 LAN SUND	- .64 .27 .09 .457 . Pro	1.18 0.40 0.40 mous day's of	0.02 0.05 0.20 0.76 per int., Co	Jul 0.21 0.40 0.75 1.36 1.36 1.37 0.100ths (	7 Puts 1	0.59 0.90 1.31	Jun Sep Dec Japan MOTIO (UFFE)	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open	Latest 109-14 108-28 108-11	Change -0-04 -0-04 -0-04	High 109-23 109-09 108-14 NOVT. BONE	Low 109-10 108-24 108-06	Est. vol. 228,083 38,228 3256	343,730 62,132 8,060 Open int.
120 121 122 1.5 122 1.5 124 0.1 Est. vol. total, Calle 14,6  Germany NOTIONAL GERN Open Jun 96.85	99 0 44 0. 10 0 40 Puts 11, MAN SUND Sett prior 96.70	- .64 .27 .09 .457 . Pro .457 . Pro .457 . Pro .457 . Pro .457 . Pro .457 . Pro	1.18 0.40 moun day's of es (LIFFE) C ge High	0.02 0.05 0.20 0.76 per int., Co	Jul 0.21 0.40 0.75 1.36 147,427 0 100ths 4 7 Est. 2 184	ol 1004	0.59 0.90 1.31	Juni Sep Dec Japan MOTIO (LIFFE)	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119.37	Latest 109-14 108-28 108-11 TERM JA this of 100	Change -0-04 -0-04 -0-04 PANESE G	High 109-23 109-09 108-14 HOVT. BONE High 119-47	LOW 109-10 108-24 108-06 PUTUR LOW 119-33	Est. vol. 226,083 38,228 3 256 SES Est. vol. 1597	343,730 62,132 8.060 Open int.
120 121 122 1.3 122 1.5 123 0.5 124 0.1 Est. vol. total, Calin 14,6 Germany B NOTIONAL GERN Open	39 0 44 0. 10 0 440 Puts 11 LAN SUND	- .64 .27 .09 .457 . Pro	1.18 0.40 moun day's of es (LIFFE) C ge High	0.02 0.05 0.20 0.76 per int., Co	Jul 0.21 0.40 0.75 1.36 147,427 0 100ths 4 7 Est. 2 184	7 Puts 1	0.59 0.90 1.31	Jun Sep Dec Japan MOTIO (LIFFE)	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open	Letest 109-14 108-28 108-11 TERM JA this of 100 Close	Change Change	High 109-23 108-09 106-14 High 119-47 118-41	Low 109-10 108-24 108-06 D FUTUR Low 119-33 118-25	Est. vol. 226,083 38,228 356 Est. vol. 1597 2671	343,730 62,132 8,060 Open int.
120 121 122 1.3 123 0.5 124 0.1 5st. vol. total, Calls 14,6  Germany NOTIONAL GERM Open Jun 96,86 Sep 95,97	99 0. 64 0. 60 0. 640 Puts 11.	- .64 .27 .09 .457 . Pro .457 . Pro .457 . Pro .457 . Pro .457 . Pro .457 . Pro	1.18 0.40 moun day's of es (LIFFE) C ge High	0.02 0.05 0.20 0.76 per int., Co	Jul 0.21 0.40 0.75 1.36 147,427 0 100ths 4 7 Est. 2 184	ol 1004	0.59 0.90 1.31	Jun Sep Dec Japan MOTIO (LIFFE)	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119:37 118:31	Letest 109-14 108-28 108-11 TERM JA this of 100 Close	Change Change	High 109-23 108-09 106-14 High 119-47 118-41	Low 109-10 108-24 108-06 D FUTUR Low 119-33 118-25	Est. vol. 226,083 38,228 356 Est. vol. 1597 2671	343,730 62,132 8.060 Open int.
120 121 122 1.5 122 1.5 123 0.5 124 0.1 Est. vol. total, Calle 14,6 Germany B NOTIONAL GERN Open Jun 96.85	99 0. 64 0. 60 0. 640 Puts 11.	- .64 .27 .09 .457 . Pro .457 . Pro .457 . Pro .457 . Pro .457 . Pro .457 . Pro	1.18 0.40 moun day's of es (LIFFE) C ge High	0.02 0.05 0.20 0.76 per int., Co	Jul 0.21 0.40 0.75 1.36 147,427 0 100ths 4 7 Est. 2 184	ol 1004	0.59 0.90 1.31	Jun Sep Dec Japan MOTIO (LIFFE)	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119:37 118:31	Letest 109-14 108-28 108-11 TERM JA this of 100 Close	Change Change	High 109-23 108-09 106-14 High 119-47 118-41	Low 109-10 108-24 108-06 D FUTUR Low 119-33 118-25	Est. vol. 226,083 38,228 356 Est. vol. 1597 2671	343,730 62,132 8.060 Open int.
120 121 122 1.3 123 0.5 124 0.1 5st. vol. total, Calls 14,6  Germany NOTIONAL GERM Open Jun 96,86 Sep 95,97	98 0.44 0.00 0.00 0.00 0.00 0.00 0.00 0.0	- .64 .27 .09 .457 . Pro .457 . Pro .457 . Pro .457 . Pro .457 . Pro .457 . Pro	1.78 0.40 nous day's of cs (LIFFE): C ge High 1 97.02 95.07	0.02 0.05 0.20 0.76 0.76 0M250.00 Lov 96.6	Jul 0.21 0.40 0.75 1.36 147,427 0 100ths 4 7 Est. 2 184	ol 1004	0.59 0.90 1.31 55.748. 4 Open Int. 159877 33184	Jun Sep Dec Japan NOTIO (LIFFE)	Open 109–17 109–00 108–14 NAL LONG Y100m 100 Open 119.37 118.31	Latest 108-14 108-28 108-11 TERM JA this of 100 Close	Change Change	High 109-23 108-09 106-14 High 119-47 118-41	Low 109-10 108-24 108-06 D FUTUR Low 119-33 118-25	Est. vol. 226,083 38,228 356 Est. vol. 1597 2671	343,730 62,132 8,060 Open int. 0
120 121 122 1.3 123 0.5 124 0.1 5st. vol. total, Calls 14,6  Germany NOTIONAL GERM Open Aun 96,86 Sep 95,97	99 0 94 0.0 0 0 0 940 Puer 11, LAN BUND Sett price 96.70 95.80	- .64 .27 .09 .457 . Pro .457 . Pro .457 . Pro .457 . Pro .457 . Pro .457 . Pro	1.18 0.40 mora day's of 25 (LIFFE): C 36 High 97.02 96.07	0.02 0.05 0.20 0.76 pen int., Co 0M250,00 Lov 96.6 95.7	Jul 0.21 0.40 0.75 1.36 147,427 0 100ths 4 7 Est. 2 184	7 Puts 1 7 Puts 1 0 1 1004 . vol (1887	0.59 0.90 1.31 55.748. 4 Open Int. 159877 33184	Jun Sep Dec Japan MOTIO (LIFFE)	Open 109–17 109–00 108–14 MAL LONG Y100m 100 Open 119.37 118.31 ms also trace	Latest 108-14 108-28 108-11 TERM JA this of 100 Close	Change Change	High 109–23 109–09 108–14 High 119,47 118,41 met lign, are	Low 109-10 108-24 109-08 D FUTUR Low 119-33 118-25 tor previous	Est. vol. 226,083 38,228 356 Est. vol. 1597 2671	343,730 62,132 8,060 Open int. 0
120 121 122 1.3 123 0.5 124 0.1 5st. vol. total, Calle 14,6 Gerrmanny NOTIONAL GERN Open Jun 96,86 Sep 95,97 UK GILTS P	199 0 044 0.0 0 0 0440 Puter 11, 1440 BUIND Sett price 96.70 95.80 RICES		1.18 0.40 mount diay's of iss (LIFFE): [0 is High is 97.02 95.07	0.02 0.05 0.20 0.76 0.76 0M/250,00 Low 95.7	Jul 0.21 0.40 0.75 1.36 147,427 0 100ths 4 7 Est. 2 184	ol 1009 - vol (1887 411	0.59 0.90 1.31 -	Jun Sep Dec Japan Monto (LIFFE)	Open 109–17 109–00 108–14 MAL LONG Y100m 100 Open 119.37 118.31 mas also trace	Latest 109-14 108-28 108-11 TERM JA this of 100 Close	Change -0-04 -0-04 -0-04 -0-04 Change	High 109-23 109-09 108-14 NOVT. BONI High 119.47 118.41 met Rgs. are	Low 109-10 108-24 109-08 D FUTUR Low 119-33 118-25 tor previous	Est. vol. 228,083 38,228 3 256 3 256 3 257 1 2671 4 day.	343,730 62,132 8,060 Open int. 0
120 121 122 1.3 123 0.5 124 0.1 5st. vol. total, Calle 14,6 Germany NOTIONAL GERN Open Jun 96,86 Sep 95,97 UK GILTS P	09 0 04 0.0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		1.18 0.40 mous day's of iss (LIFFE): [ ie High i 97.02 95.07	0.02 0.05 0.20 0.76 pen int., Co M250.00 Low 96.6 95.7	Jul 0.21 0.40 0.75 1.36 147,427 0 100ths 6 V 184 8 13	of 1004 - vol (1887 411	0.59 0.90 1.31 55.748. 4 Open Int. 159877 33184	Jun Sep LIFFE total  Fled Artos E.  8.04 95-3 8.08 97-1 8.09 97-1	Open 109–17 109–00 108–14 NAL LONG Y100m 100 Open 119.37 118.31 rus also track	Latest 108-14 108-28 108-11 TERM JA Libra of 100 Close od on APT. J Low S43 loss 943 45 943 45	Change -0-04 -0-04 -0-04 -0-04 -0-04 Change Change	High 109–23 109–09 108–14 109–14 100VT. BONI 119.47 118.41 met Rgs. are	Low 109-10 108-24 108-08 D FUTUR Low 119-33 118-25 for previous	Est. vol. 228,083 33,228 3 256 SES Est. vol. 1597 2671 4 day.	343,730 62,132 8,060 Open int. 0 0
120 121 122 1.23 1.24 1.25 1.24 1.25 1.24 1.25 1.24 1.26 1.27 1.27 1.28 1.29 1.29 1.29 1.29 1.29 1.29 1.29 1.29	99 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		1.18 0.40 moun day's of pe High 97.02 95.07	0.02 0.05 0.20 0.76 0.76 0.76 0.76 0.76 0.76 0.76 0.7	Jul 0.21 0.40 0.75 1.36 147,427 0 100ths 4 Est. 2 184 8 13	ol 1009 vol (1887 411	0.59 0.90 1.31 - 55.746. - Open Int. 159877 33184	Jun Sep LIFFE total Metal Red Prize E 8.94 952 8.08 973 8.08 9978	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119.37 118.31 118.31 ms also track	Latest 109-14 108-28 108-11 TERM JA Latest 108-11 TERM JA Latest 100 Close Latest 100 Close Latest 100 Latest	Change -0-04	High 109–23 109–09 108–14 High 119,47 118,41 met liga are Metas (i)	Low 109-10 108-24 108-06 D FUTUR 119-33 118-25 tor previous 19-35 (5 7) (5 7)	Est. vol. 228,083 33,228 3 256 SES Est. vol. 1597 2671 4 day.	343,730 62,132 8,060 Open int. 0 0
120 121 122 1.3 122 1.2 124 0.1 124 0.1 124 0.1 124 0.1 124 0.1 124 0.1 124 0.1 124 0.1 124 0.1 124 0.1 125 0.1 124 0.1 125 0.	189 0.044 0.00 0.00 0.00 0.00 0.00 0.00 0.		1.18 0.40 mount day's of the High 97.02 95.07	0.02 0.05 0.20 0.76 0.76 0.76 0.76 0.76 0.76 0.76 0.7	Jul 0.21 0.40 0.75 1.36 147,427 0 100ths 6 V 184 8 13	100 100 100 100 100 100 100 100 100 100	0.59 0.90 1.31 - - 55.748. 55.748. 4 Open Int. 159877 33184	Jun Sep Dec Japan MOTIO (LIFFE) Jun Sep LIFFE total Sep LIFFE total Sep	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119.37 118.31 res also track -7.3 1013 -1.4 1031 -1.2 1041 -1.2 1044 -1.3 125-3.	Latest 109-14 108-28 108-11 TERM JA this of 100 Close and an APT. A seek - Low 94% lose 94% 45 95% 21 17% 21 17% 21 117%	Change -0-04	High 109–23 109–09 108–14 High 119,47 118,41	Low 109-10 108-24 108-06 D FUTUR 119-33 118-25 for previous 22 3.68 13 3.73 18 3.73	Est. vol. 228,083 38,228 38,228 3 256 3 256 3 256 3 257 3 2671 5 day.	343,730 62,132 8,060 Open int. 0 0 0 1132 1164 1906 1733 1764 1691 1763 1691
120 121 122 1.3 122 1.3 123 0.5 124 0.1 125 124 0.1 126 127 128 128 129 129 129 129 129 129 129 129 129 129	09 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		1.18 0.40 mount day's of the High 97.02 95.07	0.02 0.05 0.20 0.76 0.76 0.76 0.76 0.76 0.76 0.76 0.7	Jul 0.21 0.40 0.75 1.36 147,427 0.100ths 6 v Est. 2.184 8.13 133 148 147,427 184 8.13	100   100	0.59 0.90 1.31 -	Jun Sep Dec Japan Morro (LIFFE) Jun Sep LIFFE total Sep 1024 962 608 973, 8.05 295, 7.92 11932 7.92 11932 7.93 13133	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119.37 118.31 rus also trace -7. 1034 -1. 1034 -1. 1034 -1. 1034 -1. 1034 -1. 1034 -1. 1034 -1. 1034 -1. 1034	Latest 109-14 108-28 108-11 TERM JA this of 100 Close and an APT. J. Low 943 lose 943 24 25 25 1173 29 20 1173 29 20 1173 29 20 1173 29 20 1173 20 20 1173 20 20 1173 20 20 1173 20 20 1173 20 20 1173 20 20 20 1173 20 20 20 20 1173 20 20 20 20 20 20 20 20 20 20 20 20 20	Change -0-04	High 109–23 109–09 108–14 109–14 109–14 109–14 119,47 118,41 118,	Low 109-10 108-24 108-06 D FUTUR 119-33 118-25 for previous 22 3.68 11 3.73 17 3.76 44 3.79	Est. vol. 228,083 38,228 38,228 38,228 3 256  Est. vol. 1597 2671 5 day.	343,730 62,132 8,060 Open int. 0 0 1132, 1164, 1793, 1764, 18944, 1894, 1894, 1894, 1894, 1894, 1894, 1894, 1894, 1894, 1894,
120 121 122 1.3 122 1.3 123 0.5 124 0.1 125 124 0.5 124 0.1 125 124 0.5 124 0.1 125 124 0.1 125 124 0.1 125 124 0.1 125 124 0.1 125 124 0.1 125 124 0.1 125 0.	99 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		1.18 0.40 mount day's of 10.53 1.17 10.45 1.10 10.45 1.	0.02 0.05 0.20 0.76 0.76 0.76 0.76 0.76 0.76 0.76 0.7	Jul 0.21 0.40 0.75 1.36 147.427 0.100ths 4 6.13 1845 1847 1847 1848 1847 1848 1848 1848 1848	100   100	0.59 0.90 1.31	Jun Sep Dec Japan MOTIO (LIFFE) Jun Sep LIFFE tutu Sep 97% 8.08 97% 8.09 99% 7.92 11912 8.12 10214 7.98 13113 814 10872	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119.37 118.31 118.31 nes also track -1 1034 -1 1034	Latest 109-14 108-28 108-11 TERM JA this of 100 Close and an APT. J Low 943 holes 943 29 117 4 4 999 20 117 4 117 5 4 1001 2 1	Change -0-04	High 109–23 109–09 108–14 109–14 109–14 109–14 109–14 119,47 118,41 118,	Low 109-10 108-24 108-06 D FUTUR 119-33 118-25 for previous 22 3.68 11 3.73 17 3.76 44 3.79	Est. vol. 228,083 38,228 38,228 38,228 3 256  Est. vol. 1597 2671 5 day.	343,730 62,132 8,060 Open int. 0 0 0 1132, 1164, 1293, 1764, 1894, 1764, 1894, 1764, 1894, 1764,
120 121 122 1.23 1.24 0.5 124 0.1 125 1.24 0.1 126 1.24 0.1 127 1.25 1.24 0.1 1.25 1.24 0.1 1.25 1.24 0.1 1.25 1.26 0.26 1.26 1.26 1.26 1.26 1.26 1.26 1.26 1	199 0 0 144 0.0 0 0 144 0 0 0 0 144 0 0 0 144 0 0 144 0 0 144 0 14		1.18 0.40 0.40 0.40 0.40 0.40 0.40 0.40 0.4	0.02 0.05 0.20 0.76 0.76 0.76 0.76 0.76 0.76 0.76 0.7	Jul 0.21 0.40 0.75 1.36 147,427 0.100ths 6 v Est. 2.184 8.13 133 148 147,427 184 8.13	100   100	0.59 0.90 1.31	Jun Sep Dec Japan Morro (LIFFE)  Jun Sep LIFFE total Sep 1912 1921 1921 1921 1921 1921 1921 192	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119:37 118:31 nss also track -7:3 103:31 -1:4 103:41 -1:4 103:41	Latest 108-14 108-28 108-11 TERM JA 108-11 TERM JA 108-11 TERM JA 108-11 Jan	Change -0-04	High 109–23 109–09 108–14 High 109–14 High 119,47 118,41 met Rgs. are (10),473,9 13,473,473,9 13,473,473,9 13,473,9 13,473,9 13,473,9 13,473,9 13,473,9 13,473,9 13,4	Low 109-10 108-24 108-06 108-06 119-33 118-25 105-7 119-33 118-25 105-7 17-376 18-373	Est. vol. 228,083 33,228 3 256 3 256 3 256 3 257 1 2671 3 day.	343,730 62,132 8,060 Open int. 0 0 0 1132 1164 1164 1175 1164 1175 1164 1175 1174 1184 1174 1184 1174 1184 1174 1184 1174 1184
120 121 122 1.3 122 1.3 123 0.5 124 0.1 124 0.5 124 0.1 125 124 0.5 124 0.1 125 124 0.5 124 0.1 125 124 0.5 124 0.1 125 124 0.5 124 0.1 125 124 0.1 125 0.1 12	99 0 0 140 0 0 0 140 Puer 11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		1.18 0.40 0.40 0.40 0.40 0.40 0.40 0.40 0.4	0.02 0.05 0.20 0.76 0.76 0.76 0.76 0.76 0.76 0.76 0.7	Jul 0.21 0.44 0.75 1.36 1.36 1.36 1.36 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.37 1.37 1.37 1.37 1.37 1.37 1.37	1004   1004	0.59 0.90 1.31	Jun Sep Dec Japan MOTIO (LIFFE) Jun Sep LIFFE tutu Sep 97% 8.08 97% 8.09 99% 7.92 11912 8.12 10214 7.98 13113 814 10872	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119.37 118.31 118.31 nes also track -1 1034 -1 1034	Latest 108-14 108-28 108-11 TERM JA 108-11 TERM JA 108-11 TERM JA 108-11 TERM JA 108-11 Ja 108-1	Change -0-04	High 109-23 109-09 108-14 109-14 109-14 109-14 119-47 118-41 119-47 118-41 119-47 118-41 119-47 118-41 119-47 119-	Low 109-10 108-24 108-06 108-06 119-33 118-25 105-7 118-25 105-7 118-25 105-7 118-25 105-7 118-25 105-7 118-25 105-7 105	Est. vol. 228,083 33,228 33,228 3 256 3 256 3 256 3 257 3 2671 5 day.	343,730 62,132 8,060 Open int. 0 0 0 1134 1164 1174 1184 1174 1184 1174 1184 1174 1184 1174 1184 1174 1184 1174 1184 118
120 121 122 1.23 1.24 1.25 1.24 1.25 1.24 1.25 1.24 1.25 1.26 1.27 1.27 1.28 1.29 1.29 1.29 1.29 1.29 1.29 1.29 1.29	199 0 0 144 0.0 0 0 144 0 0 0 0 144 0 0 0 144 0 0 144 0 0 144 0 14		1.18 0.40 0.40 0.40 0.40 0.40 0.40 0.40 0.4	0.02 0.05 0.20 0.76 0.76 0.76 0.76 0.76 0.76 0.76 0.7	Jul 0.21 0.44 0.75 1.36 1.36 1.36 1.36 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.37 1.37 1.37 1.37 1.37 1.37 1.37	1004   1004	0.59 0.90 1.31	Jun Sep Dec Japan Morro (LIFFE)  Jun Sep LIFFE total Sep 1912 1921 1921 1921 1921 1921 1921 192	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119:37 118:31 nss also track -7:3 103:31 -1:4 103:41 -1:4 103:41	Latest 108-14 108-28 108-11 TERM JA 108-11 TERM JA 108-11 TERM JA 108-11 Jan	Change -0-04	High 109-23 109-09 108-14 109-14 109-14 108-14 108-14 118-41 118-	Low 109-10 108-24 108-06 108-06 119-33 118-25 105-7 119-33 118-25 105-7 12-16 13-31	Est. vol. 228,083 33,228 33,228 33 256 355 355 355 355 355 355 355 355 355 3	343,730 62,132 8,060 Open Int. 0 0 0 1132, 1164, 1254 1694, 1254 1694, 1254 1694, 1254 1694, 1254 1694, 1254 1694, 1394 1694, 1394 1694, 1394 1694, 1394 1694, 1394 1694, 1394 1694, 1394 1694, 1394 1694, 1394 1694, 1394
120 121 122 1.23 1.24 0.5 124 0.1 122 1.25 1.24 0.1 124 0.1 125 1.24 0.1 126 1.24 0.1 127 1.25 1.24 0.1 128 1.26 1.26 1.26 1.26 1.26 1.26 1.26 1.26	199 0 0 144 0 0 0 0 144 0 0 0 0 144 0 0 0 144 0 0 0 144 0 0 0 144 0 0 144 0 0 144 0		1.18 0.40 mount day's of the second day's of t	0.02 0.05 0.20 0.76 0.76 0.76 0.76 0.76 0.76 0.76 0.7	Jul 0.21 0.44 0.75 1.36 1.36 1.36 1.36 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.36 1.37 1.37 1.37 1.37 1.37 1.37 1.37 1.37	1004   1004	0.59 0.90 1.31	Jun Sep Dec Japan Morro (LIFFE)  Jun Sep LIFFE total Sep 1912 1921 1921 1921 1921 1921 1921 192	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119:37 118:31 nss also track -7:3 103:31 -1:4 103:41 -1:4 103:41	Latest 109-14 108-28 108-11 TERM JA this of 100 Close and an APT. J Late 117-2 24 108-117-2 24 108-1 25-1 25-1 25-1 25-1 25-1 25-1 25-1 25	Change  -0-04  -0-04  -0-04  -0-04  PANESE 6  Change Change Change 10 10 10 10 10 10 10 10 10 10 10 10 10 1	High 109–23 109–09 108–14 109–14 109–14 109–14 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 119,	Low 109-10 108-24 108-06 108-06 119-33 118-25 107-106 119-33 118-25 107-106 10	Est. vol. 228,083 33,228 3 256 3 256 3 256 3 256 3 256 3 257 3 2671 5 26	343,730 62,132 8,060 Open int. 0 0 0 1132, 1164, 1275 1164, 1127, 1694 1734, 1734 1834,
120 127 127 128 129 129 129 129 129 129 129 129 129 129	99 0 0 140 0 0 0 140 Puer 11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		1.18 0.40 0.40 0.40 0.40 0.40 0.40 0.40 0.4	0.02 0.05 0.20 0.76 0.76 0.76 0.76 0.76 0.76 0.76 0.7	Jul 0.21 0.44 0.75 1.36 1.36 1.36 1.36 1.36 1.37 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36	7 Puts 1 1004 1004 1006 1006 1100 1100 1100 11	0.59 0.90 0.90 1.31	Jun Sep Dec Japan Morro (LIFFE total Sep	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119.37 118.31 res also tracks -7.3 107-3 -1.4 103-4 -1.2 103-4 -1.4 103-4 -1.5 103-4 -1.5 103-4 -1.6 103-4	Latest 108-14 108-28 108-11 TERM JA 108-11 TERM JA 108-11 TERM JA 108-11 TERM JA 108-11 Ja 108-1	Change  -0-04  -0-04  -0-04  -0-04  -0-04  -0-04  Change  Change  Change  10  Change  10  Change  11  Change  12  Change  13  Change  14  Change  15  Change  16  Change  17  Change  18	High 109–23 109–09 108–14 109–	Low 109-10 108-24 108-06 108-24 108-06 108-24 108-06 119-33 118-25 108-06 119-33 118-25 108-24 123-36 133-36 135-3	Est. vol. 228,083 33,228 3 256 3 256 3 256 3 256 3 256 3 257 3 2671 4 26	343,730 62,132 8.060 Open int. 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
120 127 127 128 129 129 129 129 129 129 120 120 120 121 120 121 120 120 120 120	99 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		1.18 0.40 0.40 0.40 0.40 0.40 0.40 0.40 0.4	0.02 0.05 0.20 0.76 0.76 0.76 0.76 0.76 0.76 0.76 0.7	Jul 0.21 0.40 0.75 1.36 147,427 0.100ths 4 Est. 2 184 8 13 147,427 184 8 13 147,427 184 8 13 184 184 184 184 184 184 184 184 184 184	0   100°   100	0.59 0.90 0.90 1.31	Jun Sep Dec Japan Morro (LIFFE)  Jun Sep LIFFE total Sep 1792 1793	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119.37 118.31 -7.3 1034 -1.4	Latest 109-14 108-28 108-11 TERM JA this of 100 Close  d on APT. / 24 102-2 103-2 103-2 103-2 103-2 103-2 103-2 103-2 103-1 10	Change  -0-04  -0-04  -0-04  -0-04  -0-04  -0-04  Change  Chan	High 109–23 109–09 108–14 109–14 109–14 109–14 119,47 118,41 met ap. av 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47	Low 109-10 108-24 108-06 108-06 108-06 119-33 118-25 107-128-138 118-25 107-128-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 138-138 13	Est. vol. 228,083 33,228 3 256 3 256 3 256 3 256 3 256 3 257 3 2671 5 26	343,730 62,132 8,060 Open int. 0 0 0 1132, 1164, 127, 128, 128, 128, 128, 128, 128, 128, 128
120 121 122 1.23 1.24 0.5 124 0.5 124 0.5 124 0.5 124 0.5 124 0.5 124 0.5 124 0.5 124 0.6 124 0.6 124 0.7 124	199 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		1.18 0.40 0.40 0.40 0.40 0.40 0.40 0.40 0.4	0.02 0.05 0.20 0.76 0.76 0.76 0.76 0.76 0.76 0.76 0.7	Jul 0.210 0.400 0.75 1.36 147,427 1.36 147,427 0.100 0.55 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36	1	0.59 0.90 0.90 1.31	Jun Sep Dec Japan Morro (LIFFE total Sep	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119.37 118.31 res also tracks -7.3 107-3 -1.4 103-4 -1.2 103-4 -1.4 103-4 -1.5 103-4 -1.5 103-4 -1.6 103-4	Latest 109-14 108-28 108-11 TERM JA this of 100 Close and an APT. J. Low St. 117-2 4-4 109-2 21 100-2 21 100-2 21 100-2 24 100-2	Change  -0-04  -0-04  -0-04  -0-04  -0-04  -0-04  Change  Chan	High 109–23 109–09 108–14 109–14 109–14 109–14 119,47 118,41 met ap. av 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47 118,41 119,47	Low 109-10 108-24 108-06 108-06 108-06 119-33 118-25 107-128-138 118-25 107-128-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 137-138 138-138 13	Est. vol. 228,083 33,228 3 256	343,730 62,132 8,060 Open int. 0 0 0 1132, 1164, 127, 128, 128, 128, 128, 128, 128, 128, 128
120 121 122 1.3 122 1.3 123 0.5 124 0.1 124 0.5 124 0.5 124 0.5 124 0.7 125 124 0.7 125 124 0.7 125 124 0.7 125 124 0.7 125 125 125 126 126 127 127 127 127 127 127 127 127 127 127	198 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		1.18 0.40 0.40 0.40 0.40 0.40 0.40 0.40 0.4	0.02 0.05 0.20 0.76 0.76 0.76 0.76 0.76 0.76 0.76 0.7	Jul 0.21 0.40 0.75 1.36 1.36 1.36 1.36 1.36 1.37 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36	0 1004 0 1004	0.59 0.90 0.90 1.31	Jun Sep Dec Japan Morro (LIFFE)  Jun Sep LIFFE total Sep 1792 1792 1792 1792 1792 1792 1792 1792	Open 109-17 109-00 108-14 NAL LONG Y100m 100 Open 119:37 118:31 -1: 1034 -1:	Latest 109-14 108-28 108-11 108-11 TERM JA Latest 100 100 Close at on APT. J Latest 100-12 1125-1 22-125-1 22-125-1 22-125-1 22-125-1 22-125-1 22-125-1 22-125-1 22-125-1 22-125-1 22-125-1 22-125-1 22-125-1 22-125-1 22-1	Change  -0-04  -0-04  -0-04  -0-04  -0-04  PANESE 6  Change  Change  Change  The Set 10  10  10  10  10  10  10  10  10  10	High 109–23 109–08 108–14 109–14 109–14 109–14 109–14 119,47 118,41 118,	Low 109-10 108-24 108-06 108-06 108-06 119-33 118.25 105 F 119-33 118.25 127-36 137-37	Est. vol. 228,083 33,228 3 256	343,730 62,132 8,060 Open int. 0 0 0 1132, 1164, 127, 128, 128, 128, 128, 128, 128, 128, 128
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d Motor Credit 6 <sup>1</sup> 4 98 1500	997g 335g	100 24 <sup>1</sup> 2	_2	6.42 873	italy 3 <sup>1</sup> 2 01	300000	1034 1114	1037 <u>.</u> 1724	ولو واد	272 338	Credit Lyonnels 1/2 00 . Credit Lyonnels 0.30 9	A	300	98.21 100.02	98.5		5.500 5.786
neral AMS 0 13	97 L	97 <sup>1</sup> 2	-1	6.44	Japan Dev Bk 5 99	1000000	110	1104	11g	1,90				99.84	100.00	5	5.168
r-Amer Dev 6 <sup>1</sup> s 03	94 102½	94 <sup>1</sup> 4 102 <sup>2</sup> 4	ᅸ	7.10 7.11	Japan Dev Bk 612 01 SNCF 614 00			1194 1164	₩ ₩	254 215	Drescher Finance 1/2 98 Fed Nat Mort -1/2 00			100,00	100.09 99.68		3.281 5.097
Finance 54, 99 500	97%	29	4	6.19	Spain 5% 02	125000	115¥	116		2.79	Ferro del Stat 0 10 97		420	100.13	100.25		5.750
603 2000	04 Å	943g 883g	4	7.14 7.99	Sweden #9 98 World Bank 51 02	150000	1055 <sub>8</sub> 1137 <sub>8</sub>	105% 113%	44	1.26	Printed 0.97		. 1000	100.06	100.12		5,449
en Dev Bk 6% 07 500	1084	10512	4	B.77	HOLDER ST OF	_ 200	1138	1137	***	267	MI Bark Ind 4 99		600	99.84 100.35	98.93 100.45		1.375 1.500
tet Bac Power 6 <sup>3</sup> 6 U3 1350 bushka Bec 7 <sup>1</sup> 4 (2 1000	94 <sup>1</sup> 2	947g 1027g	4	7.A7 7.01	OTHER STRAIGHTS  Bayerische LG Geo Sig O4 LI		eon L	109%	١.		taly 14 99		-	100.10	100.16		543
anio 73g 03	1024	10212	4		IKB Deut Industrik 8 <sup>1</sup> 2 03 LF		1084	10774	-12	6.74 7.26	LKB Baden-Wuert Fm .	-L- 08	1000	100.01 99.83	100.08		1667 1478
er Konirolibanik B <sup>1</sup> 2 (71 200 tucal 5 <sup>1</sup> 4 (18 1000	708¥	107 <sup>1</sup> 8	÷		Tractabel Invest 6% 04 LFr _ ABN Amro 6% 00 PI			102 <sup>3</sup> 2	+34	5.59	Licycle Bank Pero S (1.)	TO	<b>200</b>	<i>8</i> 5.08	86.83	5	<b>.3</b> 50
thec Hydro 974 98 150	93 105³a	934 106%	7	7.10 6.70	Austria 612 98 FI	1000	105%	105%		4.91 4.43	Mekaysta (6 05 New Zealand - lg 99		1000	99.80 99.91	99.95		.562 .339
bec Prov 9 98 200	1024	1045	444	6.50	Austria 6 <sup>1</sup> 2 98 FI	150	109)4	110%	4	7.06	NOVE SCORE & SE		em	99.39	100.08		.687
5 10 99 200 F 9 <sup>1</sup> 2 98 150	1074; 1084:	1081 <sub>8</sub> 1061 <sub>2</sub>	7	6.80 6.36	Ganada Mag & Hsg 8 <sup>1</sup> 4, 99 C	1250 S 1000	107	1014 1045	-l <sub>a</sub>	7,71 6.87	Ontario 0 99 Rente 0 98		2020	99.91	39.98		480
n 63-249 157m	100	10012	7	6.40	EB 10 <sup>1</sup> 4 98 CS	130	10612	10714	7	6.17	PURE LIK VICIONS (105 C	20	1/36	99.77 98.97	99.92 100.12	_	437
den 6 <sup>1</sup> 2 03 2000	98 <sup>1</sup> 2	984	4	6.97 6.67	Bac de Franca 94 89 CS	275		10812	4	6.93	SVeiden (198		1600	99.97	100.01	5	2.00
nesses Valley 9 00	DC)*	96)	ᅸ	7.08	KIW int Fin 10 01 CS	200	110 109 <sup>1</sup> >	110½ 109%	4	743	Sweden J (1)		2000	89.78	99.85	5.	3.5
ro Elec Power 6 <sup>1</sup> 4 03 1000	95	9514	78	7.03	Ontario B 03 C\$	1500	1024	1021	_	7.71	CONVERTIBLE BOND	S					
nta Motor 5% 98	1037 1037	1925년 1925년	ᇻ		Ontario Hydro 10% 99 CS Oster Kontrollbank 10% 98 C			1101 <sub>2</sub> 100%	4	6.79			Con			_	
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ITSCHE MARK STRAIGHTS					Contrark 812 02 Ecs	1000	110	11014	1,	641	THE ESSEN ARTHURS 2 70 A	н		65	85	+7.	7251
ne 8½ 24 2000 en-Wuert L-Finance 6 99 2000	90i2 1027	90¾ 104½	4	7:30 4:57	EC 8 00 5au	1100	101¾ 115	1017	-3	5.66	Hong Kong Land 4 (1) Land Secs 64, 02 C						15.49
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nd 71 <sub>2</sub> 00 3000 71 <sub>4</sub> 66 5000	1054g 1053	1063 <sub>8</sub> 1053 <sub>8</sub>	-F		NSW Tremuty Zero 0 20 AS		115g 845a	12 <b>ig</b> 94i <sub>2</sub>	7	9.18	1 3/8 00 .PY ATE 1 L	<u> </u>	50 71	92	937		79.45 .7 98
	<b>9</b> 7	97-8	4	685	State Bk NSW 9 03 AS	300	1014	101%	4					84	2 65 2		17,38 19,81
Baden-Wuent 8 <sup>1</sup> 2 03 2250					Sth Aust Govt Fin 0 02 AS	150	1005								1134		-23
Baden-Wuent 8 <sup>1</sup> 2 03 2250 my 6 <sup>1</sup> 2 98 1500		104 <sup>1</sup> e	- <sup>1</sup> 6														
Baden-Wuent 8 <sup>1</sup> 2 03 2250	36 L	39 <sup>1</sup> 2	-	6.45	Uniterior Australia 12 98 AS	150	1054	10614	4	8.53	No interested a 22	00 € _ 25	50 5.0E		86		290
Beden-Word 8½ 03 2250 By 6½ 98 1900 10 6¼ 04 1500	98½ 108	39 <sup>1</sup> 1 106 <sup>1</sup> 2	- -	6.45 2.14	Uniterer Australia 12 98 AS Western Aust Trees 7% 98 AS	150	105% 99	106 <sup>1</sup> 4 99 <sup>1</sup> 2	나 나	853 819	No information argint	00 € _ 25 Mar previo	XV 5.05 ×40 day/s	85 price	g 86°	+12	290





# deals

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#### CURRENCIES AND MONEY

#### MARKETS REPORT

# Sterling shrugs off European beef squabble

Sterling yesterday finished the day slightly weaker, but it was the victim of a firmer D-Mark rather than independent weakness flowing from Britain's dispute with its EU partners over the export ban on British beef.

The D-Mark rallied on slightly firmer than exported

slightly firmer than expected German M3 figures, and the Ifo business confidence index which indicated that the German economy might be gathering momentum. This put back ing momentum. This put back hopes of any near term easing in German interest rates. The dollar closed in London

at DM1.5387, from DM1.5415 and at Y106.950 from Y107.06. Sterling finished at DM2.3236, from DM2.3331. Against the dollar it closed at \$1.5102, from \$1.5136. The trade weighted index closed at 84.6, from 84.8.

Within Europe the Finnish markka traded slightly easter at FM3.0785 per D-Mark, from FM3.0630. This followed specu-

POUND SPOT FORWARD

lation that it might enter the gnences, inter alia, for ERM at about FM3.10/15 to the D-Mark, a level higher than yielding currencies. previously thought.

sis. Mr Steve Hannah, head of research at IBJ International in London, said this could be seen as "a measure of how credible the threat really is."

"The market really doesn't see this as a sustainable position. I don't think anybody believes there will be real die.

believes there will be real dislocation,"

Not all observers take such a sanguine view of the beef scare. Analysts at Independent Strategy in London argue that the it will affect European inte-gration with negative conse-

Poss	d in New Yor	k .
May 20	Lebest	- Prev. class
£ spot	1,5016	1.5130
1 min	1.5002	1.5122

(Sch) 16.3663 -0.0607 498 - 658 18.4325 19.3450 16.3251 2.3 18.2507 2.8 2.6 46.4598 2.8 (SF) 47.7948 -0.156 781 - 134 48.0110 47.7860 47.6968 2.6 47.7948 2.6 48.4598 2.8 (SF) 19.9749 -0.0323 705 - 792 9.0125 8.9703 8.9595 2.1 8.9267 2.2 8.7834 2.1 (FM) 7.1868 +0.0194 914 - 761 7.1840 7.1410 7.1644 0.7 7.1563 0.7 (FF) 7.8714 -0.0241 677 - 751 7.9012 7.8675 7.8673 2.1 7.8294 2.1 7.6965 2.2 (DM) 2.3236 -0.0065 225 - 247 2.3356 2.3223 2.3168 2.6 2.3062 2.7 2.2578 2.3 (DM) 367.842 -0.798 682 -0.03 369.085 367.391 (E) 0.9692 -0.0001 884 -700 0.9712 0.9675 0.9684 1.0 0.9671 0.9 0.9603 0.9 (L) 2.352.81 -5.07 151 - 411 2363.27 2350.22 2361.06 -4.2 2376.19 -4.0 2428.85 -3.2 (UF) 47.7948 -0.156 761 - 134 48.0110 47.7660 47.6968 2.6 47.4798 2.8 45.5598 2.8 (F) 2.8001 -0.0068 990 -011 2.6103 2.5982 2.5938 2.9 2.581 2.9 2.5218 3.0 (MK) 9.9603 -0.0436 523 -682 10.0074 8.9515 8.8513 1.1 9.8322 1.1 9.8365 1.2 (SK) 10.3021 +0.086 931 - 110 10.3121 10.2654 10.2033 -0.1 10.3046 -0.1 10.3072 0.0 (SF) 1.9111 -0.0033 0.9 123 1.9227 1.9097 1.9049 3.9 1.8921 4.0 1.6344 4.0 1.5344 4.0 (SF) 1.9111 -0.0033 0.9 123 1.9227 1.9097 1.9049 3.9 1.8921 4.0 1.6344 4.0 (SF) 1.9111 -0.0033 0.9 123 1.9227 1.9097 1.9049 3.9 1.8921 4.0 1.6344 4.0 (SF) 1.9111 -0.0033 0.9 123 1.9227 1.9097 1.9049 3.9 1.8921 4.0 1.6344 4.0 (SF) 1.9111 -0.0033 0.9 123 1.9227 1.9097 1.9049 3.9 1.8921 4.0 1.6344 4.0 (SF) 1.9111 -0.0033 0.9 123 1.9227 1.9097 1.9049 3.9 1.8921 4.0 1.6344 4.0 (SF) 1.9111 -0.0033 0.9 1.2319 1.2313 1.8 1.2285 1.4 1.2149 1.4

1.2326 -0.0053 320 - 331 1.2380 1.2319 1.2313 1.8 1.2283 1.4 1.2149 1.4

yielding, currencies.

They reason that the UK could prevent the introduction There was some surprise at sterling's muted response to the escalation of the beef crisis. Mr Steve Hannah, head of competitive devaluations by the Southern Comfort countries will grow. Then the SCC will have no new EMU waiting room to occupy before joining the EMU club. This will leave their currencies and interest rates vulnerable to one of three events: rising cynicism about EMU; a strengthening D-Mark; and a decisive turn in global

short-term interest rates. Wa expect all three to happen." Mr Ian Harnett, UK group chief economist at SocGen in Loodon, said sterling had responded better to the news than gilts which fell sharply on Tuesday afternoon. As an aside, be noted how much more stable UK monetary pol-lcy (assessed using the old Treasury 4:1 rule – that a 4 per

cent move in the currency is equivalent to a one percentage point move in short term interest rates) had been since sterling had left the ERM
"The trade-off between

exchange rate changes and interest rate changes has resulted in a much greater stability in monetary policy since we left the ERM than when we were in it," he said.

■ The April Ito business climate index in Germany rose to 91.9 from 90.4 in April, only the third rise in 17 months. This lent support to the D-Mark, although analysts at Salomon Brothers in London believe the

from completion, but the authorities probably still have scope for a modest decline of the repo rate down to about three per cent in coming months.

In particular, prospects for new fiscal tightening in 1997
should reassure the Bundesbank that the anticipated
pick-up of economic momentum will not result in any sustained period of above-trend growth, aven next year."
The main risk to this view

would be a sharp weakening of

Mr Avinash Persaud, cur rency strategist at JP Morgan

in London, believes that whils policy-makers may wish to see a stronger dollar against the D-Mark, "they are less keen to see further weakness of the D-Mark within Europe."

Brothers in London believe the axpectation of higher rates may be misplaced.

"The process of monetary easing since 1992 is not far from completion but the stability in the lira rather than further and perhaps unsustainable strength."

Some observers believe the Bank of Italy has already been active on both sides of the rate.

May 22		
Canal Ro	41,6750 - 41,7094	27.8030 · 27.6130
Hatery	225.187 - 225.A42	
lar	4531.50 - 4529.40	
	0.4528 - 0.4538	0.2990 - 0.3004
Polyme	4.0561 - 4.0610	26965 · 26895
Records	7567.69 - 7567.61	5008.00 - 5010.00
HAE.	5 5446 - 5 5476	36724 - 36727

Many 22		Closing mid-point	Change on day	Sid/offer spread	Day's high	mid	One m	SAPA	Three m	%PA	Rate y	%PA	J.P Morger index
Енгора													
ALBONE	(Sch)		-0.0158	271 - 347	10.8710	10.8250	10.8114	2.2	10.7694	2.9	10.5856		
Balgium	(BFr)	31_6490	-0.032	440 - 540	\$1,7420	31,6300	31,594	2.1	31.479	2.1	30,999	2.2	106.4
Denmark	(OK)	5.9430	-0.008	415 - 445	5.9625	5.9380	5,8355	1.5	5.9185	1.6	5.8496	1.9	106.B
Pintend	(FM)	4.7471	+0.0235	433 - 508	4.7555	4,7348	4,7408	1.6	4.7286	1.6	4.6831	1.3	82.3
France	(FFr)	5.2124	-0.0041	113 - 136	5.2295	5.2102	5,2054	1.8	5.1612	1.6	5.1234	1.7	106.4
Germany	OM	1.5387	-0.0028	383 - 390	1,5456	1.5377	1.5392	1.9	1.5304	2.1	1.5022	24	107.6
Greece	(Dr)	243.590	+0.02	530 - 630	244,280	243,330	245.255	-8.3	248,605	-8.3	262.58	-7.6	66.7
reland	023	1.5582	-0.0039	572 - 581	1.5615	1.5548	1,5586	-0.4	1.5596	-0.4	1.5512	0.5	-
taly	à	1558.00	+0.15	750 - 850	1584.25	1556.66	1564.05	-4.7	1575.8	-4.5	1516.5	-3.8	75.8
unambourg	0.51	31,6490	-0.032	440 - 540	\$1,7420	31,6900	31.598	2.0	\$1,4895	2.0	31,009	20	108.4
Vetherlands	F	1.7217	-0.0019	214 - 220		1.7204	1.7194	2.3	1,7112		1.6795		106.5
Vorway	ONK			819 - 993		6.5900	6.5926		6.5871	0.5	6.5506		97.8
Portugal	Œ			950 - 010		157,880	158.3		158.80		187,035		84.7
Soeth	(Plat	128.255		230 - 288		128.140	128,505		128,635		130,475		80.8
Sweden	(SKI)	6.8218		175 - 262	6.8323		6.833	-1.9	8,8504		B.8924		88.B
Switzerland	(SFr)	1.2655		650 - 860	1.2723	1,2840	1.262	3.4	1,2545		1.221		110.5
K	(5)	1.5102		095 - 105	1.5134		1,5084	0.8	1.5078	0.9	1.5026		89.6
eur .	14	1.2253		250 - 255	1.2255		1.2261	-0.7	1,2277		1-2366		
SDR†	_	0.69390	74,000	230 - 235	1,2203	1,2200	1,2201	-4.7	( AZAF	-0,0	1-2300		
Lmerices.		C.DOCOC	_	_	-	_		-		-			
vgentina.	(Page)	0.9993	_	987 - 899	0.8988	0.0905	_	_		_			
System 1	(PS)	0.8955		953 - 956	0.9999	0.9850						: :	100
Greda	(CS)	1.3727		724 - 729	1.3730	1.3718	1,3725	0.1	1,3728	0.0	1,3758	-02	
	w Pesol	7.3855		830 - 880	7.3900	7.3700		~26.2		-18.B		-28.6	65-5
SSA IVE		7.3833	-0.01	63D - BBU	7.3900	12100	1,541	~202	1,132	-18.8	9.4800	-240	
	(5)		-	•		-	-	•		•		•	97.6
wellsc/Mode					4 0000				4 0000	4-	4 5555		
untralle	(A\$)	1.2621		\$19 · 626	1.2630	1,2800	1,2641	-1.6	1,2676		1.2663		95.8
long Kong	(HKZS)	7.7351	-0.0004	348 - 353	7.7355		7.7358	-0,1	7.7376		7.7646		-
ncile	(Pas)	34,9000		500 - 500	35,1500		35.05	-52	35,355	-5.2	36,825	-5.5	•
200	(SM4	3.2588		\$63 - 606		3.2540							
apan .	m	108,950		<b>900 - 000</b>	107.450		108,505	5.0	105.605		101,865		138.1
Ankayana	(145)	2,4833		925 - 838	2.4985	2.4925	2.4942	-0.4	2,5003		2,5238		•
aw Zeeland	(NZS)	1,4641		835 - <b>65</b> 0	1.4856	1,4830	1,4672	-2.5	1,473	-2,4	1.4876	-2.3	-
mippines	(Pesc)	26,1450		100 - 800	26,1800		-	-		•			•
audi Ambia	SP	3.7504		502 - 505		3.7502	3.7508		3.7515		3.7548		
engapore	(53)	1,4085	-0.0008	080 - 080	1.4100	1.4079	1.405	3.0	1,399	27	1.3735	2.5	
outh Africa	(FQ	4,3525	+0.0225	475 - 575	4.3580	4.3925	4.3812	-7.9	4.432B	-7.A	4.B\$6	-7.0	
outh Kores	(Mont)	781,300	+1.25	000 - 600	782,500	780,300		-					
aiwan	(13)	27,3395	+0.0225	370 - 420	27,3420	27,3330	27,3596	-0.9	27,3895	-0.8		-	
hadend	(80	25.3100		000 - 200		25.2999					26,495	-4.7	
SOA cate per 3													Carrowel St. Ha

MONEY RA	TES							
May 22	Over night	One	Three	Sb:	One year	Lomb, inter.	Dis.	Piepo nute
Belgken	34	32	34	34	3%	7.00	2.50	
week ago	314	34	314	3%	34	7.00	2.50	
Prance	35	36	34	36	44	<b>a70</b>	-	5.60
week ago	313	35	3¥ 34	32	44	3.70	-	5,60
Germany	34	314	31	32	311	4.50	2.50	3,30
week ago	34	314	34	34	34	4.50	2.50	3.30
Ireland	54	54	5%	58	5%	-	-	8.25
week ago	5	51	616	54	5.2	-		6.25
Italy	91/2	65	883	82	83	-	9.00	9.25
week ago	9%	85	84	84	87	-	9.00	9,25
Netherlands	22	2	2%	2	28	-	3.00	3.30
week ago	2%	2	2%	2%	2%	-	3.00	3,30
Switzerland	294	214	214	24	294	5.00	1.50	-
week ago	24	214	24	13	21	5.00	1.50	-
LIS	58	511	5%	5日	59	-	5.00	-
week ago	51/2	533	577	53	54	-	5.00	-
Jepen	2	3	12	<b>1/6</b>	4	-	0.50	-
week ago	7	7	ä	首	11		0.50	
E S LIBOR FT LO	ndon							
Interbenk Fidna	_	54	514	58	576	-	-	-
week 500	-	64	52	52	64	-	-	-
US Dollar CDs	_	5.02	5.05	5.21	5.55	-	_	_
week ago	-	5.02	5.11	5.24	5.56	-	_	_
<b>BCU Linked Da</b>	_	496	48	44	436	-	-	_
week ago	_	436	44	44	411	_	-	_
SDR Linked De	_	34	34	312	396	-	-	-
Week 800	_	38	34	313	3%	_	_	-
S LIBOR Interbank flui								

week ag		- 5.0		5.24	5.56		
ECU Links		- 49		44	434		
week ag		- 43		44	4 <u>15</u> 3%		: :
SDR Links		- s		313	3%		•
week ag		- 3,					
nt 11am ear Westmirster. Wid rates an	ch worldno ahown k	g rates art offer o day. The ben or the domastic SENCY IN	Money Publ	iant Trust ia, USS Ci	Benk of To Da, ECU & Si	icyc. Bercitys	end Netice
May 22			days	One	Three	Sbx	One
may II				nonth	monthe	months	year
Selgian Fra	nc 3		- 3/2 3,	- 34	32 - 32	32 - 32	3/4 - 3/2
Denielt Kror	ne 4	36 4	- 313 31	3 - SH	33 - 33	4 - 3	43-4
3-Mark	3	3 3 3,2	- 3/4 3	3.1	3,3 - 3,7	34 - 32	3 <u>13</u> - 3 <u>4</u>
<b>Jutch Guild</b>			- 215 2	5 - 5/2	211 - 212	24 - 24	233 - 217
rench Fran	c 3		- 34 3		342 - 312	44 . 3%	44 - 3
artugueses			- 716 7		72 - 74	74 - 71	74 - 74
Spenish Per			- 7经 75		77 - 75	713 - 7-5	712 - 75
Sterling			512 6	- 533	6 - 6	8 <u>4</u> - 64	613 - 613
Swigs Franc	2	2 - 216 21	- 276 23		2,4 - 2,4	24 - 24	216 - 20
Can. Dollar	4	2-45 412		44	412 - 414	4% - 44	538 - 534
JS Doller	5	5 5 5	- 5/6 53	- 5/2	512 - 518	55 - 57	54 - 512
teller Lira	8,		- 9% 9	- 813	왜? - 왜	82 - 82	8H - 84
Yen .	,	2 - 3 16	- 12 1	3 - 44	32 - 52	10 - 16	1 - 78
Asian \$Sing	2,	2 - 21 21 <sub>2</sub>	- 25 2	- 24	24 - 24	23 - 24	258 - 212
		of for the US D					(FFr Sm)
	Open	Sett price	Change	High	Low	Est. vol	Open in
kun	96,04	96.00	-0.03	96.06	95.96	20,266	50,041
Sep	96.07	96.02	-0.04	96.08	96.01	11,969	55,384
Dec	96.96	95.91	-0.04	95.87	95.91	6,462	30,889
THREE	MONTH	EUROMAIN	C FUTURE				
	Open	Sett price	Change	High	Low	Est. vol	Open in
lun	96.74	96,73	-0.01	96.75	96.71	24973	176511
Зер	96.79	96.75	-0.02	96.80	96.74	40342	238862
Dec:	96.61	96.58	-0.05	96.63	96.56	37923	208519
Mer	96.35	96,29	-0.04	96.36	96.27	38204	156630
THE	PHONULH	EUROLINA		_	L1000m pol		
	Open	Sett price	Change	High	Low	Est. vol	Open in
iun .	91.43	91.35	-0.09	91.44	81.33	7996	55108
Sep	92.01	91,96	-0.08	B2.05	67.93	7839	39973
Dec	82.22	92.15	-0.05	82.22	82.13	2808	28042
Mar	92,19	B2,13	-0.05	92.19	82.13	873	10480

	Open	Sett price	Change	High	Low	Est, vol	Open int.
Jun	96.74	96,73	-0.01	96.75	96.71	24973	176511
Sep	96,79	96.75	-0.02	96.80	96.74	40342	238862
Dec	96.61	96.58	-0.02	96.63	96.56	37923	208519
Mer	96.35	96.29	-0.04	95.36	96.27	38204	156630
THE THE	E MONTH	EUROLINA	PUTURES	(LIFFE)* L	1000m poli	ts of 100%	
	Open	Sett price	Change	High	Low	Est. vol	Open int.
lun .	91.43	91.35	-0.09	91.44	81.33	7996	55108
Sep	92.01	91,96	-0.08	92.05	67.93	7839	39973
Dec	82.22	92.15	-0.05	82.22	B2.13	2808	28042
Mer	92,19	B2,13	-0.05	92.19	82.13	873	10480
a Timi	E MONTH	EURO SYAS	S FRANC	PUTURE!	(LIFFE) S	Frim points	of 100%
	Open	Sett price	Change	High	Low	Est, vol	Open Int.
Lan .	87.83	97.78	-D.06	97.84	87.73	5867	21467
Sep	97.79	87.72	-0.09	97.91	97.68	9319	30083
Dec	97,57	87.51	-0.09	97.57	97.48	2078	11186
Mar	87.29	97.24	-0.10	97.29	97.22	476	5713
THE PERSON	E MONTH	EURCYTEL P	UTURES (	LIFFE) Y1	amioq m00	of 100%	
	Open	Sett price	Change	High	Low	Est. vol	Open Int.
kan	99.37	99,36	-0.02	86.37	99.36	33	
Зер	99.14	B9.15	-0.01	99.14	99,14	170	-
Dec	98.86	96,86	-0.01	98.85	98.85	1195	-
THE	E MONTH	BCU FUTUR	ES (LIFFE)	Eculm po	ointe of 100	96	
	Open	Sett price	Change	High	Low	Est, vol	Open int.
kan '	85.68	95.64	-0.02	95.67	95.64	1040	9693
Seep	95,79	95.74	-0.02	95.7B	95.73	419	4658
Dec	95.63	B5.91	-0.02	95.65	95.60	323	3676
Mer	95.41	95.40	-0.02	95,41	95.40	146	2352

EXCHAN			RATES									-04	-3					
May	22	BFY	DKr	FFr	DM	元	<u> </u>	- FI	NK.	Es	Ptu	316	SPY	£	C\$	\$	Y	Eou
Belglum	(BFH)		18.7B	16.47	4.863	2.028	4924	5.440	20.84	499.3	405.3	21.55	3.999	2.082	4.338	3,160	337.9	2.580
Demmark	(DKJ)	53.25	10	8.770	2.589	1.080	2622	2.897	11.10	265.8	215.8	11.48	2.129	1.114	2.310	1,682	178.9	1.374
France	(FFr)	60.72	11.40	10	2.953	1.231	2989	3.303	12.65	303.1	246.1	13.09	2.428	1.270	2.834	1.919	205.2	1.587
Germany	(DM)	20.56	3.862	3.387	1	0.417	1012	1.118	4.286	102,7	83.35	4.432	0.822	0.430	0.892	0.650	89.48	0.531
tretand	(80)	49.32	8.262	8.123	2.396	1	2428		10.28	248.2	199.9	10.63	1.972	1.032	2.139	1.558	168.7	1.272
Italy	(1.)	2.031	0.381	0.335	0.000	8.041	100.	Ø.110	0.423	10,14	8.232	0.439	0.061	0.042	0.088	0.064	8.864	0.052
Netherlands	(FI)	18.38	3.452	3.027	0.894	0.373	905.0		3.831	83,77	74.50	3.962	0.735		0.797	0,581	62.12	0.474
Norwey .	ONICO	47.98	9.011	7.903	2.333	0.973	2362		10	239.6	194.5	10.34	1.919	1.004	2.081	1.519	162.1	1.238
Portugal	(Es)	20.03	3.762	3.299	0.974	0.406	988.2		4.174	100.	87.19	4.317	0.801	0.418	0.866	0.833	67.89	0.517
Spain	(Pto)	24.87	4.633	4.064	1.200	0.500			5.142	123.2	100.	5.318	0.987	0.518	1.070	0.780	83.36	0.637
Sweden	(Skr)	46,40	B.714	7.642	2.256	0.841	2234	2.524	9.670	231.7	188.1	10	1.855	0.971	2.013	1.466	158.8	1.197
Switzerland	(SFr)	25.01	4.696	4.119	1.218	0.507	1231	1.351	5.212	124.9	101.4	5.390	1	0.523	1.065	0.780	,94.51	0.645
UK	(52)	47.78	8.975	7.871	2.324	0.969	2353		a.960	238.9	193.7	10.30	1.911	1	2073	1.510	167.5	1.239
Canada	(CS)	23.05	4.329	3.797	1.121	0.467	1135		4.805	1151	93.44	4.969	0.922	0.482	1	0.728	77.91	0.505
US	(5)	31.65	5.B44	5.213	1.539	0.642	1558		6.596	158.0	128.3	6.821	1.266	0.662	1.373	1	107.0	0.817
Japan	m	29.59	5.557	4.874	1.439	0.600	1457	1.610	6.167	147.7	119.6	6.378	1.183	0.819	1.284	0.935	100.	0.763
Sco.		38.79	7.279	6.384	1.885	0.786	1908		8.078	193.5	157.1	6.354	1.550	C.811	1.651	1.225	131.0	1
Danish Kroner,	rench Fran	s, Norwo	glan Kroner,	and Sweet	ah Kromor	per 10;	Belgien F	manc, Yerl, Er	cudo, Ura	and Pess	ts per 100,							
E D-MARK	UTURES	(MMI)	M 125,000	per DM						APANES	Z YEN F	UTURES	(IMM) Yen	12.5 per	Yan 100			
	Open	Latest	Change		L	שוכ	Est. voi	Open int.			Орел	Latest	Change	High	L	ow i	Est. vol	Open In
	9494	0.6493	+0.0005	0.8500	0.6	484	28,170	81,438	Jun		0.9385	0.9358	+0.0001	0.9386	0.5	342	12,774	59,162

		6.£ · 5	61 <sub>2</sub> · 51	Bis - 512	61 <sub>4</sub> - 8	6 . 6	6,4 6,4
OND May 22	ON MOI	Over- night	7 days notice	One month	Three	Six months	One year
	NTERES			B.#)			
Jun Sep Dec	0.7887 0.7950 0.8030	0.7995 0.7958 0.8030	+0.0015 +0.0014 +0.0019	0.7908 0.7870 0.8030	0.7882 0.7950 0.8030	17, <b>69</b> 8 491 8	44,883 3,253 773
m switz	FRANC F	TUPES (	MM) SFr 12	5,000 per \$	Fr		
Dec	-	0,6568	+0.0005	0,6568	-	146	1,513

Interbank Sterli Sterling CDs 7reasury Bills	lang.	night 6& · 5					
Stedling CDs			61 <sub>2</sub> - 51	Bis - 512	61 - 6	6 6	
		OIE O		64 · 54 55 · 54	64 - 513	616 - 6	65 65
Zenement Dillo		-	-	527 5Z	533 - 533		•
( removing these		-	-	233	54 - 57	5% - 533	
Bank Bills		•		355 - 37		64 - 54	5.2 - 6.3
Local authority	deps.	616 - 512	9 - 5%	614 - 515	614 - 515	035 - 035	ole - ole
Discount Marks	et deps	61g - 55g	8 - 5%			•	_
UK dearing ba		learling rith	e e per cen	t from Marc	th 8. 1996		
OK CHERNUS DO	STIK DESIG	Minney I	Up to 1	1-3	3-6	6-9	9-12
			month	month	months	months	manths

	STERLING OPTI	CALLS -				
Strike	Jun	Sep	Dec	Jun	Sep	Dec
Price		0.19	0.18	0.01	0.12	0.35
375	0.19	0.06	0.10	0.12	0.25	0.52
H00	0.02		0.05	0.35	0.46	0.72
425	O , Calls 1672 Puls 20	0.02	0.50	₩ Calls 151	425 Puts 1237	199

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married inches act, strateg to act of least product to response.	Fas: 0171-247-0471
LIED-W	LDOCK & COMPAN

JUN 1	1.5120	1.5092	~0.002	20 1.6130	1,5108	5,707	46,545
Sep	1.5100	1.5080	~0.001	2 1.5100	1.5066	338	687
Dec	1,5078	1.5060	-0.001	6 1.5076	1.5050	1	37
	-			14.75	Mary Control		
				ICY UNI		_	. 0
May 22	Ecar Cel		nst Ecu	on day	% +/- from cen. nate	W WHEN	
Spain	162,49		39.219	-0.087	-5.02	3.44	14
Netherlands			13912	+0.00074	-0.80	1.97	4
Belgkum	39.396		.3144	-0.0152	-0.21	1.57	2
Germany	1_9100		91267	-0.0008	0.14	1.22	-1
Austria	13,438		4588	-0.0063	0.15	1.20	-1
Portugal	195.79	2 19	6.243	-0.104	0.23	1.12	-2
treland	0.79221	4 0.7	<b>96183</b>	+0.000649	0.50	0.85	-3
France	6.4060		47628	-0.00054	1.10	0.26	-8
Denmark	7.2858		38455	-0.00285	1.38	0.00	-0
NON ERM N	AEMBERS						
Greece	292.86	7 30	12.492	-0.104	3.29	-1.87	-
Raly	2106.1		38,11	+2.98	-8.07	10.28	-
UK .	0.78865			+0.000584	4.41	-2.92	_
Sour control rate	<b>19.</b>	C/S OP	rided from	FM. Adjustro 31,250 (cents		by the Finance	
Fou central reta (17/9/92) Storfe PHELADE Strike	ng and Italian	E/S OP	rided from	STM. Advetor 31,250 (cents	per pound)	by the Finance	tal Tames.
Equi central reta n 7/9/92) Seria E PHELADE Strike Price	ng and Italian ELPHIA SE Jun	£/\$ GP	rided from	GFM. Adjustm 31,250 (coards Aug	per pound) Jun	by the Finance PUTS	Aug
Equicantial risk (17/9/92) Starte III PHELADE Strike Price 1.490	ng and Italian ELPHIA SE Jun 2.17	Z/S OF	rided from ITOMS E. LLS ul 43	Aug 2.74	Jun 0.03	PUTS Jul 0.36	Aug 0.79
Equi central rists (17/9/32) Serie III PHILADE Strike Price 1,490 1,500	Jun 2.17	## GAI GAI GAI 1.1	ITOMS E	Aug 2.74 2.15	Jun 0.03 0.21	PUTS Jul 0.36 0.85	Aug 0.79 1.15
Equicantral risk (17/9/2) Sarte III PHELADE Strike Price 1,490 1,500 1,510	Jun 2.17 1.34 0.69	2/3 GP1	17045 E	Aug 2.74 2.15 1.60	Jun 0.03 0.21	PUTS	Aug 0.79 1.15 1.59
Equipment risk (17/9/2) Surfar In PHELADE Strike Price 1.490 1.500 1.510 1.520	Jun 2.17 1.34 0.69	2/3 GP	17048 E LLS	Aug 2.74 2.15 1.80 1.18	Jun 0.03 0.21 0.55 1.14	PUTS	Aug 0.79 1.15 1.59 2.15
Fou control risk (17/9/22) Starting IN PHELADIE Strike Price 1.490 1.500 1.510 1.520 1.530	Jun 2.17 1.34 0.69 0.05	2/3 GP	170445 E. 1125	Aug 2.74 2.15 1.80 1.18 0.81	Jun 0.03 0.21 0.55 1.14 1.82	PUTS	Aug 0.79 1.15 1.59 2.15 2.74
Equication risk (17/9/2) Suprim IN PHILADE Strike Price 1.490 1.500 1.510 1.520 1.530	Jun 2.17 1.34 0.69 0.05	2/3 GP	170445 E. 1125	Aug 2.74 2.15 1.80 1.18	Jun 0.03 0.21 0.55 1.14 1.82	PUTS	Aug 0.79 1.15 1.59 2.15 2.74
Fou contral rate (17/9/32) safe (17/9/32) safe (17/9/32) safe (17/9/32) safe (17/9/32) Strike Price 1.490 1.500 1.500 1.520 1.530 Previous day's	Jun 2.17 1.34 0.69 0.05 vol., Calls 3,8	2/3 GP 2/3 GP 1.1 1.0 0.7 0.79 Puts 5.	170445 E. LLS	Aug 2.74 2.15 1.80 1.18 0.81	Jun 0.03 0.21 0.55 1.14 1.92 L. Calls 170,85	PUTS	Aug 0.79 1.15 1.59 2.15 2.74
Fou contral rate (17/9/32) safe (17/9/32) safe (17/9/32) safe (17/9/32) safe (17/9/32) Strike Price 1.490 1.500 1.500 1.520 1.530 Previous day's	Jun 2.17 1.34 0.69 0.28 0.05 vol., Calls 3,6	2/8 GP GA	170 NS E 170 NS E 110 NS E 1115	Aug 27.4 2.74 2.15 1.60 1.18 0.81 0.81 0.61 points	Jun 0.03 0.21 0.55 1.14 1.92 c. Cala 170,85	Dy the Prients  Jul  0.36  0.36  1.08  1.53  2.32  4 Puls 183,74  Est. vol (	Aug 0.79 1.15 1.59 2.15 2.74
Fou contral rate (17/9/32) safe (17/9/32) safe (17/9/32) safe (17/9/32) safe (17/9/32) Strike Price 1.490 1.500 1.500 1.520 1.530 Previous day's	Jun 217 1.34 0.69 0.28 0.05 wol. Cale 3.6 0.01 0.00 0.00 0.00 0.00 0.00 0.00 0.	2/8 GP7  CAI  1.1  0.7  0.7  0.7  0.7  0.7  0.7  0.7	TONS E LLS	Aug 2.74 2.15 1.60 1.13 0.81 0.81 0.81 0.81 0.81 0.81 0.81 0.81	eri calculated per pound) Jun 0.03 0.21 0.55 1.14 1.52 Losts 170,85 of 100% Low 94.50	PUTS	Aug 0.79 1.15 1.59 2.15 2.74 48
Fou central risk 1779/20 Septim PHELADE Strike Price 1.490 1.500 1.510 1.520 1.520 Previous day's	9. no not hatian DPHIA SE Jun 2.17 1.34 0.69 0.28 0.05 vol. Calle 3.6 WONTH EU Open 94.51 94.32	2/8 GP7 GAI 1. 1. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0.	ITO 18 E CLLS	Aug 2.74 2.15 1.60 1.16 0.81 0.81 0.81 0.81 0.81 0.81 0.81 0.81	or calculated per pound) Jun 0.03 0.21 0.55 0.55 0.56 1.14 1.92 0.68 170,95 0f 100%	Dy the Phane D.36 0.36 0.85 1.08 1.53 2.32 4 Pus. 183,74 Est. vol. ( 38,773 34,478	Aug 0.79 1.15 1.59 2.15 2.74 48 Open int 357,111 359,073
Fou central risk IN PHELADE Strike PHELADE Strike Price 1.490 1.500 1.510 1.520 1.520 1.530 Previous tay's Previous tay's	Jun 217 1.34 0.69 0.28 0.05 wol. Cale 3.6 0.01 0.00 0.00 0.00 0.00 0.00 0.00 0.	2/8 GP7  CAI  1.1  0.7  0.7  0.7  0.7  0.7  0.7  0.7	TONS E LLS	Aug 2.74 2.15 1.60 1.16 0.81 0.81 0.81 0.81 0.81 0.81 0.81 0.81	eri calculated per pound) Jun 0.03 0.21 0.55 1.14 1.52 Losts 170,85 of 100% Low 94.50	Dy the Phane D.36 0.36 0.85 1.08 1.53 2.32 4 Pus. 183,74 Est. vol. ( 38,773 34,478	Aug 0.79 1.15 1.59 2.15 2.74 48
Fou central risks IT 17992 Series IT PHELADE Strike Price 1.490 1.500 1.510 1.520 1.530 Previous tay's Foundation IT THEORE M	Jun 2.17 1.34 0.69 0.28 0.05 wol. Cale 3,6 MONTH EUR	CAI GP Puts 5.000 Puts	T70NS E. LLS	Aug 2.74 2.15 1.60 1.16 0.81 0.81 0.81 0.81 0.81 0.81 0.81 0.81	ent calculated per pound) Jun 0.03 0.21 0.55 1.14 1.52 L. Calls 170,35 0f 100% Low 94.50 94.07	Dy the Phane D.36 0.36 0.85 1.08 1.53 2.32 4 Pus. 183,74 Est. vol. ( 38,773 34,478	Aug 0.79 1.15 1.59 2.15 2.74 48 Open int 357,111 359,073
Fou central risks IN PHELADE IN PHELADE Strike Price 1.490 1.500 1.500 1.520 1.520 1.520 ILSO ILSO ILSO ILSO ILSO ILSO ILSO ILSO	Jun 2.17 1.34 0.59 0.28 0.05 0.05 0.05 0.05 0.05 0.05 0.05 0.0	2/3 GP.  2/3 GP.  1.1 1. 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.	### (#################################	Aug 2.74 2.15 1.60 1.18 0.81 Ayr open in High 94.51 94.05 94.98	ort calculated per pound) Jun 0.03 0.21 0.55 1.14 1.92 0.65 1.70,85 0.70 0.94 0.70 0.9	by the Finance  All  0.36  0.85  1.53  2.12  4 Pass 183,74  58,744	Aug 0.79 1.15 1.59 2.15 2.74 18 Open in 367,111 359,073 368,152
Fou central risks IT PHE ADE  Strike PHE ADE  Strike 1.590 1.500 1.500 1.520 1.520 1.520 1.520 1.520 1.520 I.SE IT THEORE N  Jun Sep Dec  ILIS TREEA	Jun 2.17 1.34 0.69 0.28 0.06 vol. Cale 3.6 WONTH EUR OPEN 94.51 94.32 94.03 ASURY BELL	CAL ST. S.	TONES E TONES E LLS	Aug 2.74 2.15 1.60 1.18 0.81 0.81 0.81 94.51 94.51 94.93 94.96 94.96 94.98	ort calculated per pound) Jun 0.03 0.21 0.55 1.14 1.82 Low 94.50 94.50 94.70 0%	Dy the Finance PUTS	Aug 0.79 1.15 1.59 2.15 2.74 8 00pan int 357,111 359,073 368,152
Fou central risk IT/19/92/Series IT/19/92/Seri	Jun 2.17 1.34 0.69 0.28 0.05 vol. Cels 3.6 MONTH EU Open 94.51 94.32 94.03 ASURY BELL 94.98 94.79	CAI 2/2 GP 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.	Trons E 113 43 72 40 47 40 47 40 47 40 47 40 47 40 47 40 47 40 40 40 40 40 40 40 40 40 40	Aug 2.74 2.15 1.60 1.18 0.81 0.81 0.81 94.51 94.51 94.93 94.96 94.96 94.98	ort calculated per pound) Jun 0.03 0.21 0.55 1.14 1.92 0.65 1.70,85 0.70 0.94 0.70 0.9	by the Finance  All  0.36  0.85  1.53  2.12  4 Pass 183,74  58,744	Aug 0.79 1.15 1.59 2.15 2.74 18 Open in 367,111 359,073 368,152
Fou central risks IF PHELADE  Strike PHILADE  Strike 1.590 1.500 1.500 1.520 1.520 1.520 1.520 ILST INFORE M  Jun Sep Dec BUS TREA	Jun 2.17 1.34 0.68 0.28 0.05 0.06 3.6 0.05 94.51 94.52 94.03 3.5 0.05 94.79 94.51 94.98 94.79 94.51 94.98 94.79	2/3 GP CAI 1.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1	TOMES E.  170 AS E.  14	Aug 2.74 2.15 1.60 1.18 0.81 0.81 0.81 94.51 94.51 94.93 94.96 94.96 94.98	or calculated per pound) Jun 0.03 0.21 0.55 1.14 1.92 0.65 1.70,85 0.70 0.94	Dy the Finance PUTS	Aug 0.79 1.15 1.59 2.15 2.74 8 367,111 359,073 368,152
Fou cantal risks  If PHE ADE  Strike PHE ADE  Strike 1.590 1.500 1.500 1.520 1.530 Previous day's  THERES  ITHERES  US TREA  Jun Sep Dec  I US TREA  Strike  EUROMA  Strike  Strike	Jun 2.17 1.34 0.59 0.28 0.05 vol., Cale 3.6 0.05 94.51 94.52 94.03 94.79	CAI 2./3 GP CAI 1.1. 1.1. 1.1. 1.1. 1.1. 1.1. 1.1. 1.	TONES E. LLS	Aug 2.74 2.15 1.60 1.18 0.81 0.81 94.51 94.51 94.05 94.05 94.96 94.79 1 points of 10 points of 1	eri calculated per pound) Jun 0.03 0.21 0.55 1.14 1.82 Low 94.50 94.50 94.70 94.57 94.79 94.59	Dy the Finance PUTS	Aug 0.79 1.15 1.59 2.15 2.74 18 Open in 357,111 359,073 368,152 8,239 5,334 1,205
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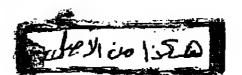
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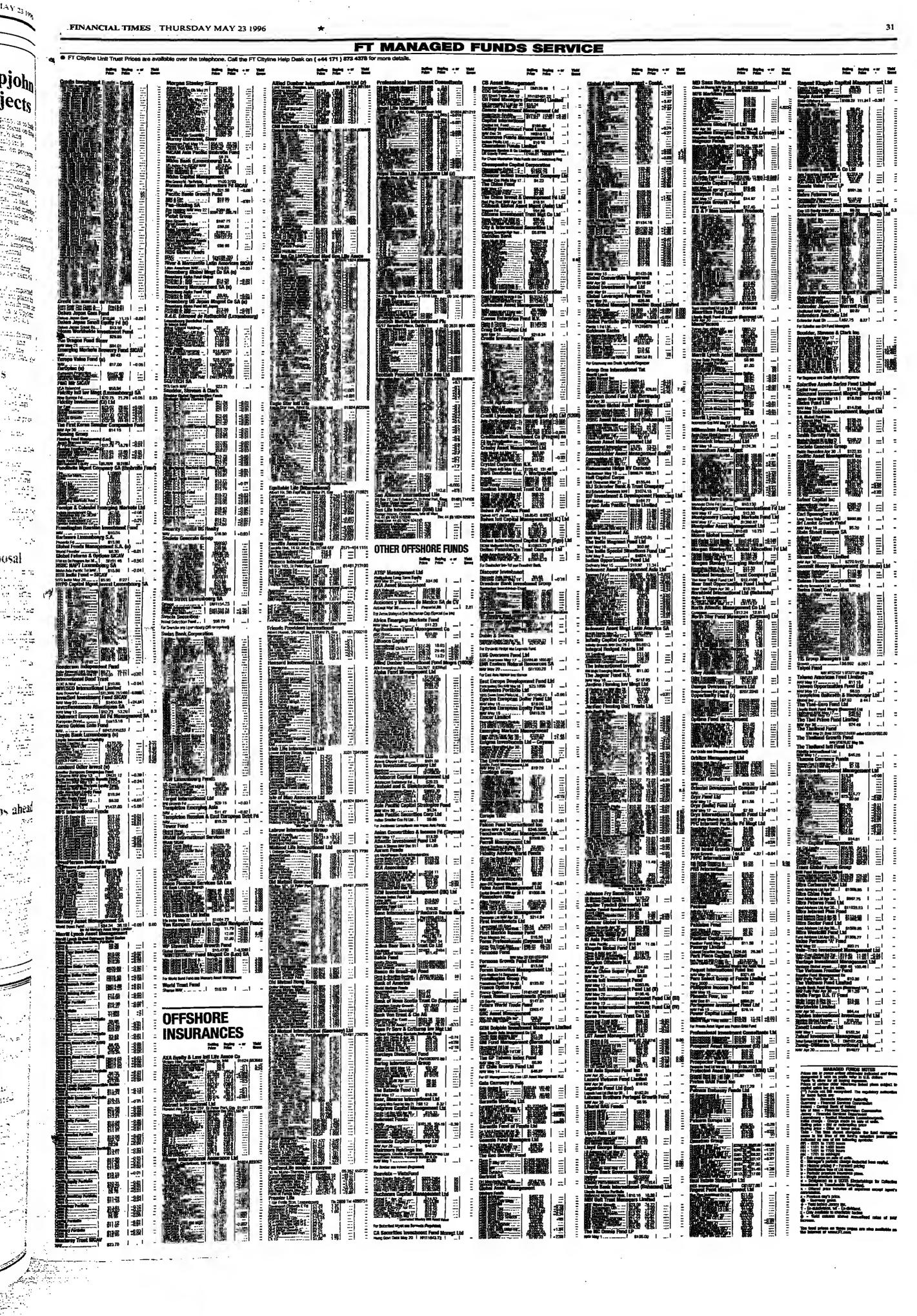
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#### LONDON STOCK EXCHANGE

### Weak future and pressure on sterling hit shares

By Steve Thompson, **UK Stock Market Editor** 

Heavy downside pressure on the FT-SE 100 future coupled with a decline in sterling and gilts, in the wake of the hardening UK government stance against the European Union over the ban on British beef exports, left UK equities stranded

yesterday. The prime minister's move to obstruct EU business in retaliation for the beef ban was interpreted by some market observers as heightening the political tension in the UK and overseas. "The worry in the market is that Mr Major may have brought a general election date for-

ward by turning up the heat on general and food, provided a num-Europe," said one dealer.

The political pressures were increasingly evident in the utilities sectors, which are vulnerable to shifts in political trends. One of the market's most powerful hroking firms, Kleinwort Benson, drove the sectors lower by some aggressive marketmaking et the outset

At the close of a difficult day, the FT-SE 100 index was left with a 25.2 loss at 3.764.2. The market's second line stocks were also given a rough ride, with tha FT-SE Mid 250 index only just outperforming the 100 and posting a 16.9 fall at 4.512.3.

It was not all had news for shares, however. The retailing sectors, both

ber of outstanding performers, as did brewing.

Bass topped the Footsie performance table, with the shares adding 25 per cent in the wake of better than expected interims and an encouraging statement on second half prospects. Hard on the heels of Tuesday's excellent numbers from Marks and Spencer, Kingfisher pleased the market with good firstquarter sales, prompting a good showing from other retailers such as Dixons and Argos. The hig food retailers posted good gains after one leading broker adopted a hullish

stance on J. Sainsbury. On the downside, however, the financials and utilities were given a rough ride, with the absence of any of the much rumoured hids causing another day of persistent selling pressure and profit-taking in the banks and insurances.

"Any stock with a regulator was given a pasting and the biotech shares ran into a brick wall," noted one marketmaker. In a bruised banking sector, Standard Chartered beld up well in the wake of an earnings upgrade by Cazenove, the bank's stockhroker, hut NatWest

suffered et the hands of its broker. The FT-SE 100 index was in negative territory from the off, burdened by a poor showing by Wall Street, where the Dow Jones Industrial

future trading at a discount to cash all day, marketmakers kept on the downside pressure throughout the session and the Footsie moved progressively lower as the day wore on, only just managing to edge off the day's trough during the final bour of trading.

Sentiment was not helped by a nervous opening by Wall Street during the afternoon. The Dow Jones Industrial Average was down around 15 points not long after London closed

Turnover in equities at the 60m calculation was 806.1m shares. Ratail business on Tuesday was worth £1.83ba.



+0.7

**FUTURES AND OPTIONS** 

#### **Broker** boosts Sainsbury

Food retailers bucked the poor market trend, boosted by a broker recommendation for one stock and the positive tone among general retailers following a clutch of humper figures.

The day's main talking point was J. Sainshury, which gained 6 at 3790 in trade of 4m, after Charterhouse Tilney turned a buyer following "a good few vears" of caution.

Analysts at Charterhouse met with the company earlier this week, and Mr Bill Currie at the broker said: "After a number of years of management inertia, the company now seems to be taking a proper course of action and making key decisions.

Sentiment in the stock was further enhanced by the positive trading update from Kingfisher, which revealed increased sales at B&Q, its DIY subsidiary. The hope is that Sainsbury's Homebase and Texas Homecare divisions, in the same market segment, may see a similar improvement,

#### Yorkshire buyback

A big book balancing exercise by one leading broker hit the whole of the utilities sector and masked potential good news from Yorkshire Water.

Yorkshire announces figures in two weeks' time and there is growing confidence that it will use the occasion to buy back 10 per ceot of its sbares.

That would give the company the opportunity to return some £125m to shareholders. In spite of the had press that has surrounded Yorkshire over the past year, analysts believe the return would be justified, as Yorkshire has spent £170m on customers over the winter hy

upgrading its system. Analyst Mr Philip Hollobone of Williams de Broe said: "The company could do two 10 per cent buybacks, pay windfall tax and still have 85 per cent gearing. The new management team is now in place and it will want to make its mark.

Yorkshire fell 12 to 619p. but hardest bit were National Grid, which dropped 6 to 1771:p. London Electricity, off 27 at 702p, Anglian Water, off 17 at 518p, and Yorkshire Electricity, down 23 at 707p.

#### BTR retreats

Leading conglomerate BTR ended off 41/2 at 290p after a day of intense two-way trading which bolsted turnover to an

above average 14m shares. One leading broker was said to have given its earnings forecast for this year a further trim, and a number of scare stories about weak cashflow were also said to be in circulation. The shares were down 6 at one stage.

BTR has been a weak market for the past month, taking on board an annual meeting profits warning and falling 11 per cent in absolute terms since late April.

Some dealers detected switching out of the stock and into Williams Holdings, which move ahead 5 to 336p on the back of a "steady as she goes"

National Westminster Bank fell 12 to 627p as Salomon Brothers and HSBC James Capel cut their profit forecasts for the company. Salomon apparently lowered its current year forecast hy £580m to £945m, while Capel reduced to

£1.62hn from £1.91hn. Capel maintained its buy recommendation hut said restructuring costs resulting from hranch closures would be higher than expected. Also NatWest Securities advised switching into Barclays, which

lost 6 at 776p. Engineering leader GKN spurted from a strong base as a marketmaker squeeze combined with positive talk.

Some brokers were said to be giving added push to the argument that GKN's helicopter and pallet and container rental operations bad significantly reduced the group's exposure to the traditional engineering cycle. At the same time, it was

rumoured that one top markatmaker had heen forced to unwind a big short position. The shares have outpaced

the market hy 17 per cent over

the past three months and 2 per cent on a one-month view. They pushed ahead by 16 to 1005p yesterday. Juhuann Matthey burst through to a new 52-week high, rising 12 to 658p. The shares

have been in demand lately fol-

lowing a series of upheat presentations Bass, the botels, brewing and leisure group, which jumped 20 to 788p, pleased the market with interim profits at the top end of forecasts. However, the results did not have a significant effect on the sector. Analysts, most of whom upgraded their forecasts for Bass, said the results were fairly company-specific and followed good results from other groups in the sector such as Whithread.

The most dramatic fall in the

RTZ-CRA

The annual general meetings of The RTZ Corporation PLC (RTZ) and CRA Limited (CRA) were held on 8 and 22 May 1996 respectively.

Under the structure which established the dual listed companies merger of RTZ and CRA at the end of 1995,

ecisions on significant matters . fecting shareholders of RTZ and CRA

To re-appoint the auditors of RTZ. To receive the Company a action in and the reports of the directors and auditors for the year ended 31 December 1986.

COUNTRY

SURVEYS ON DISK

Telephone +44 (0) 171 873 4356 or 2m; +44 10) 171 873 4862

(e) To elect a director: Sir David Simon

The KTZ Corporation PLC 6 St. James's Square London SW1Y 4LD

22 May 1896

ings of RTZ and CRA

FINANCIAL TIMES EQUITY INDICES

	May 22	May 21	May 20	May 17	May 16	Yr ago	"High	"Low
Ordinary Share	2799.0	2815.3	2811.0	2916.5	2792.6	2517.3	2885.2	2696.7
Ord, div, yield	3,97	3.82	3.94	3.93	3.96	4,22	4.06	3.76
P/E ratio net	16.28	18.64	16.60	16.62	16.49	16.21	17.25	15.96
P/E ratio nil	16.06	19.41	19.37	15.39	16.26	15.70	17.03	15.76
Ordinary Share and	s since co	unbegation:	high 2885	2 19/04/98	i low 49,4	28/06/40,	Game Date:	1/7/35
Ordinary Share	boudy el	hamaes						

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Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2809.4	2803,6	2806.2	2802.8	2807.3	2805,2	2802.4	2798.5	2799,1	2809,4	2795,8
			May 22	May	21	May 20	May	17 M	ay 16	Yr ago
SEAQ ba	irgains		34,11	1 35	254	42,502	34,5	87 3	1,971	25,854
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Equity ba	argains:			- 44	.571	52,876	41,1	62 3	8,419	36,697
Shares to				- 8	16.3	685.9	770	1.5	639.4	639.5

		_			
Rises and falls"		52 Week highs a	nd lows	LIFFE Equity optic	Mr.
Total Pises	581	Total Highs	149	Total contracts	46,128
Total Falls	655	Total Lows	28	Calls	21,666
Same	1509			Puts	24,463

sector was Morland, which dipped 21 to 619p following a "badly handled sell order"

according to one analyst. The stores sector, with one of two exceptions, outperformed. Kingfisher's annual meeting and trading update was one of the catalysts, providing further reassurance about increases in discretionary spending. Kingfisher rose 12 to 620p. with several ana-

lysts upgrading their full-year forecasts. The market latched on to the company's statement that B&Q's market share was growing in a depressed market. One The stock gained 7 to 422p. analyst suggested that this could have been responsible for Boots falling 11 to 612p. with its troubled Do It All outlets a possible victim of B&Q's

Analysts also suggested that there could be some switching from Boots to Marks and Spencer, which nudged forward half a penny to 4621 p. Beneficiaries of the growing optimism in the market about retail sales included Dixons, 8 dearer at 504p, and Argos, 9 higher at 7290.

Competition worries continued to gnaw away at BT, following the launch of a number portability scheme by Nynex CableCommunications. BT surendered 5 to 3391 an in

6.1m shares traded. Nynex

hardened to 12412p. Airports group BAA continued to slide on the back of regulation fears. On Tuesday, a parliamentary review called for wider airport ownership. The stock fell 8 to 499n in 9.1m traded for a two-day decline of close to 5 per cent.

Newcomer Railtrack was again the day's most active stock, easing 114 to 219p in turnover of 25m. BZW issued a covered call warrant on the

Talk that a predator was once again Stalking Thorn LMI

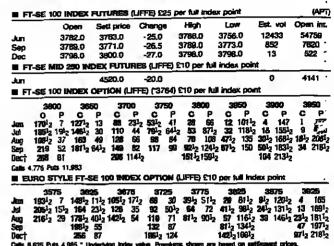
broad market saw the shares ease off the day's peak of 1830p

to close 17 up at 1813p.

Jarvis. which stood at 11p a year ago, shot forward 25 to 89p on news of a Railtrack maintenance acquisition, a capital restructuring and e rights issue.

A profits warning sent instrumentation specialist Whessoe spinning lower. The shares closed off 38 et 134p. Courtaulds, the chemicals group, saw its shares shrug off disappointing figures after the company impressed analysts with an upbeat presentation.

MARKET REPORTERS: Peler John, Joel Kibazo, Jeffrey Brown, Lisa Wood.



Water ..

Insurance

LONDON RECENT ISSUES: EQUITIES issue Amt price paid 43 High Low Stock 78.5 105 51 Abertorth Smir C 21.2 138 115 †Active Imaging 21.2 101 101 AlM Trust 127.4 745 681½ Atlents Japan 175 123 Biocomptible Unit 12.8 124 119 †CA Couts 13.2 1050 890 Company Light

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102	٠,	9.40	95	93	Capital C	o's VCT	94		-	-	-	

FT GOLD	MINE	SI	NDE	X	12		1	. "
	atay 21	% chq co day	May 20	Year aga	Gross dly yield %	P/E ratig	SZ w	rpsk Low
Gold Mines Index (31) or Regional Indices	2329.39	-0.1	2331.70	1640.09	1,33	••	2620.73	1722.9
Alnea (13)	3084,44	-2.5	3162.19	2454.56	2.36	42.82	3553.86	2272.7
Australasia (6)	2538.30	-1.5	2575.88	2144.71	2.59	26.39	2927.34	2096.5
North America (12)	2086.00	+1.2	2060.72	1624.30	0.87	73.34	2186.39	1488.9

returned to the market yester- Conveyer. The Financial Times Limited 1996. "FT Gold Mines Index" is a mademark of The Fi

day. But the weakness of	the Tin	12 92. 1	1 Pigures	by bracket	s show h	uniter of co	omparties.	Basis US I	Doffers. E	lase Valu	e: 1000.0
FT - SE Actuaries S	hare in	dices			V. A.			1	he (	JK S	eries
	May 22	Day's chge%	May 21	May 20	May 17	Year	Div. yleki%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3764.2	-0.7			3789.6		4.00	214	14,91	75,87	1535.30
FT-SE Mid 250	4512.3	-0.4	4529.2	4522.3	4513.4	3623.5	3.33	1 75	21.43	80,59	1807.50
FT-SE Mid 250 ex lav Trusts	4551.1		4558.0	4561.4	4552.9	3626.2	3.43	1,80	20.21	85.65	1826.09
FT-SE-A 350	1906.9	-0.6	1918.4	1913.4	1917.0	1650.S	3.85	2.06	15.73	37,46	1589.85
FT-SE-A 350 Higher Yield	1625.4	-0.9	1839.7	1838.9	1841.9	1686.0	5.14	1,91	12.77	45.32	1272.05
FT-SE-A 350 Lower Yield	1995.7	-0.4	2004.6	1995.2	1999.6	1634.7	2.68	2.33	19.92	29,89	1379.30
FT-SE SmallCap	2239.03	-D.1	2241.97	2240.04	2239.84	1855.63	2.90	1.77	24.28	25.63	1532.28
FT-SE SmallCap ex liny Trusts.	2236.50	-0.1	2236.81	2237.36	2237.66	1832.71	3.07	1.86	21.89	26.85	1841.11
FT-SE-A ALL-SHARE	1892.50	-0.6	1903,36	1898.47	1901.77	1632.16	3.79	2.04	19.19	35.92	1602.25
■ FT-SE Actuaries All-	Share										
	May 22	Day's chge%	May 21	May 20	May 17	Year	Drv. yleid%	Net	P/E ratio	Xd adı. ytd	Total Return
10 MINERAL EXTRACTION(24)	3532.41	-0.5	3551.02	3516.80	3545.23	2899.97	3.79	1.83	17.99	78.92	1521.82
12 Extractive Inclustries(5)	4481.73	-0.9	4524.49	4581.13	4647,88	3861.63	3.60	2.50	13.67	109,18	1319.63
15 Oil, Integrated(3)	3567.64	-0,4	3583.03	3535.55	3557,17	2898.59	4.01	1.72	18.07	91.84	1576.51
16 Oil Exploration & Prod(15)	2499.83	-0.9	2515.66	2465.99	2508.03	2074.78	2.09	1.61		32.05	1503.85
20 GEN INDUSTRIALS(275)	2117.38	-0.3	2123.19	2125.97	2127.13	1961.71	4.00	1.90	18.40	35.20	1156 10

FI-SE-A SSU LOWER TION	1995.7			32 1999		2.60	2.33		29,89	
FT-SE SmallCap	2239.03			.04 2239.8		2.90	1.77		25.63	1532.28
FT-SE SmallCap ex law Trusts. FT-SE-A ALL-SHARE	2236.50 1892.50			.36 2237.6		3.07	1.86		26.85	1841.11
		-0.6 160	3.35 1686	47 1901.7	/ 1632.16	3.79	2.04	19.19	35.92	1602.25
FT-SE Actuaries All		Parel -			V					
	May 22 (	Day's	v 21 14m	20 May 1	Year	Drv.	Net		Xd adu	
				20 May 1		yteld%	COVE	ratio	ytd	Return
10 MINERAL EXTRACTION(24)	3532.41			.80 3545.2		3.79	1.83	17,99	78.92	1521.82
12 Extractive Inclustries(6)	4481.73			.13 4647.8		3.60	2.50			1319.63
15 Oil, Integrated(3)	3567.64			.55 3557,1		4.01	1.72			1576.51
16 Oil Exploration & Prod(15)	2499.83	-0.9 251	5.66 2465	.99 2508.0	3 2074.78	2.09	1,61	37.10	32.05	1503.85
20 GEN INDUSTRIALS(275)	2117.38	-0.3 212	3.19 2125	.97 2127.1	3 1961.71	4.00	1.90	18.40	35.20	1156.19
21 Building & Construction(34)	1219.84			.95 1224.1		3.39	1.78		18.09	1019.23
22 Building Matts & Mercha(29)	1938.55			A1 1962.4		3.81	1.75	18.31		980.52
23 Chemicals(25)	2533.51			.09 2556.4		3.92	1.92		48.01	1202.34
24 Diversified Industrials(19)	1729.46			19 1739.0		5.97	1.72		44.62	969.65
25 Electronic & Elect Equip(37)	2445.57			15 2438.9		3.00	1.67			1262.14
26 Engineering(71)	2466.23			20 2467.7		3.11	2.49		28.63	
27 Engineering, Vehicles(13) 28 Paper, Pokg & Printing(28)	3061.93 2771.68			.72 3055.5 .32 2790.8		3.48	1.89		48.11	1587.78
29 Textiles & Apparel(19)	1384.49			32 1402.5		3.67 5.10	2.03	15.95	41.62	1154.33
										848.06
30 CONSUMER GOODS(80)	3549.06			.52 3555.5		3.95	1.85	17.06		1317.42
32 Alcoholic Beverages(9)	2629.02			60 2876.67		4.42	1.62	17.A7		1026.85
33 Food Producers(23)	2456.03			48 2464.7		4.22	1.84		57.54	1114,44
34 Household Goods(15) 36 Health Care(20)	2668.74 2094.07			29 2676.24 99 2091.31		3.72 2.54	2.41 1.87		53.70 27.65	1023.03
37 Pharmaceuticals(12)	5099.20			53 5078.4		3.34	1.88		91.18	1274.80
38 Tobacco(1)	4256.62			68 4248.15		5.97	2.00			1069.23
				_						
40 SERVICES(253) 41 Distributors(32)	2542.65			63 2526.16		2.80	2.04	21.86		1323.47
41 Distributors(32) 42 Leaure & Hotels(23)	2982.27 3174.10			40 2922.80 81 3194.80		2.83 2.77	1.77	25.02		1100.09
43 Media(46)	4267.50			26 4260.55		2.08	1.94	30.84	141.77	1709.35 1546 10
44 Retailers, Food(15)	2003,98			69 2002.70		3.78	2.33	14.18		1278.63
45 Retailers, General(43)	2098.09			38 2046.45		2.95	2.17	19.50		1196.05
47 Breweries, Pubs & Rest (24)	3138.88	+0.7 3116	5.81 3112	07 3126.22	2377.39	3.23	2.12	18.27		1504.43
48 Support Services(49)	2428.24	+0.6 2413	3.05 2402.	21 2393.33	1910.55	1.89	2.46	26.96		1544.61
49 Transport(21)	2424.98	-0.8 2440	0.67 2450.	38 2464.84	2294.47	3.63	1_50	22.95		1007.86
60 UTILITIES(33)	2342,64	-1.5 2376	3.81 2387.	58 2380,19	2378.90	5.52	2.03	11,14	46 83	983.61
62 Electricity(12)	2672.02			78 2778.37		5.82	2.37			1286.12
64 Gas Distribution(2)	1198.35			98 1201,19		10.00	1.36	9.21	64.68	827,47
66 Telecommunications(7)	2007.59			04 2007.80		4.31	1.82	15.91	0.15	908.78
68_Water(12)	2001.72	-1.7 2036	.34 <u>2061.</u>	92 2064 <u>.</u> 01	1915.62	8.10	2,59	7.93	3.91	1085,51
89 NON-FINANCIALS(883)	2013.58	-0.5 2022	271 2015	90 2017.30	1753.74	3.79	1,94	17,02	38.81	1529.08
70 FINANCIALS(105)	2916.93	-1.2 2950	1.81 2054	00 2976,13	2399.38	4.09	2.62	11.67		1262 89
71 Banks, Retail(8)	3965.10			92 4063.55		3.93	2.89			1305.78
72 Banks, Merchant(8)	3810.58			01 3553.93		2.73	2.38	19.24	36.34	1143.77
73 Insurance(23)	1527.08			13 1570.82		5.17	3.11			1157,13
74 Life Assurance(6)	3495.11			91 3579.64		4.28	2.24			1465.17
77 Other Financial(21)	2755.18			49 2739.13		3.75	1.72	19,42		1562.84
79 Property(41)	1560.80	+0.1.1559	.65 1568.	18 1572.28	1436.26	4.08	1.30	23.49		955.37
80 INVESTMENT TRUSTS(126)	3245.76	-0.4 3259	L86 3252	70 3245.46	2799.61	2.14	1.06	55.14		1132,46
89 FT-SE-A ALL-SHARE(890)	1892.50			7 1901.77		3.78	2.04	18.18	_	_
T-SE-A Fledging	1265.32			95 1259.88		2.71				1602.25
T-SE-A Redgling ex Inv Trusts	1275.79			18 1270,08		2.71	2.20 2.37			1321.75
I SECTION OF THE 11/12/13	1213.10	-u. 12/3	1612	10 12 14,00	101.00	231	231	18.07	14.19	1332.63
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Additional information on the FT-SE Actuaries Share indices is published in Saturday issues.

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### GENBEL

#### Genbel South Africa Limited

(Incorporated in the Republic of South Africa) (Registration number 05/32379/06) ("Genbel South Africa")

The unbundling of Genbel South Africa: The value of the cash offers and the net asset value of Genbel Securities Limited

The South African Public Investment Commissioners ("PIC") have announced tha terms of the cash offers to be made to the shareholders of Genbel South Africa. The net asset value of Genbal Securities Limited ("Genbel Securities") has also been established for the purposes of the unbundling exercise. These figures are material to alternatives 2, 4 and 5 available to shareholders.

The full list of alternatives is as follows

Alternative 1: To remain invested in Genbel South Africa (no action required).

Alternative 2: To accept a cash offer for all shares held in Genbel South Africa. The value of the cash offer to ecquire ahareholders' entitlement to the whole of the share distribution is 1196 cents per Ganbel South Africa share.

Alternative 3: To receive the share distribution from the Genbel South Africa portfolio.

Shareholders should be aware that this alternative may result in them receiving many odd-lot shareholdings in tha 24 companies to be unbundled. Alternative 4: To receive shares in Genbel Securities and cash in respect of the balance of the share distribution. The value of the cash offer to acquire shareholders' entitlement

to the whole of the chare distribution excluding the entitlement to Genbel Securities shares is 874 cents per Genbel South Africa shars. Alternative 5: To retain a smaller investment in Genbel South Africa while participating in the new listing of Genbel Securities with securities investment, trading and underwriting operations. The nat assat value of Ganbel Securities tor purposes of calculating shareholders' entitlement to Genbel Securities shares is 304 cents per Genbel South

Shareholders requiring information and assistance can ring the Genbel helpline in the UK on 0171 404 0873.

will be cancelled in exchange for Genbel Securities shares.

Africa share. Accordingly, 25.42% of the existing shareholding in Genbel South Africa

Sandton South Africa 22 May 1996

The Financial Times plans to publish a Survey on

# **World Coal Industry**

on Friday, July 5.

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### **US** stocks in modest loss at midsession

#### Wall Street

US shares were mostly weaker in quiet trading at midsession on the heels of recent gains that have sent blue chip shares up by more than 300 points in the past two weeks, writes Lisa Bransten in New York.

At 1 pm, the Dow Jones Industrial Average was off 12.19 at 5.724.07, the Standard & Poor's 500 had eased 0.47 to 672.29 and the American Stock Exchange composite lost 0.04 at 612.19. The technology-rich Nasdaq composite shed 2.68 to 1.241.74. NYSE volume was light at 223m shares.

Consumer shares managed to buck the falling market. The Morgan Stanley index of consumer sbares added 0.2 per cent, while the counterpart index of cyclical shares posted a loss of 0.3 per cent.

Activity was expected to be muted on US financial markets through to the end of the week because there was little scheduled in the way of economic data and markets will be closed on Monday for Memorial

There was much interest yesterday in the initial public offering of Saks Holdings, the external computer disk drives, up-scale department store rose \$1% or 14 per cent to \$13%.

chain owned by the Bahrainbased Investcorp. Shares were priced late on Tuesday at \$25 each, \$2 above the high end of the expected price range, and in early trading they jumped \$10 or 40 per cent to \$35.

Dayton Hudson, a middle market retailing chain, gave up \$3%, nearly all of the \$4 it rose on Tuesday after reporting stronger than expected first-quarter earnings. That brought the shares to \$102%.

Toys 'R' Us fell \$% or 2 per cent to \$29%. The Federal Trade Commission voted yesterday to file an administrative complaint against the toy retailer charging that it had used its market power to keep toy prices high. The stock declined \$% on Tuesday amid speculation that the FTC was preparing to make such a

Iomega, the US maker of computer disk drives, continued the run-up begun when the company announced a stock split that took effect on Tuesday. Since Monday the shares had risen a split-adjusted \$811 and hy early yesterday afternoon they were ahead another

\$41% at \$47%. Syquest, which also makes

Canada

Toronto was weak in midsession trade, and continued the trend of low turnover seen on Tuesday when the market closed at its 28th record high of

the year. The TSE-300 index was off 8.95 hy noon at 5,229.30 in volume of 42.8m shares.

Further volatile trade was seen in Cartaway Resources which picked up from a low of C\$2.40 to trade 23 cents up at C\$3.01. The shares jumped to C\$26 last week on a potential mining prospect before giving up most of the rise when the oompany released disappointing results from tests.

#### **SOUTH AFRICA**

Volatile trading was seen in Johannesburg as technical factors predominated. The industrial index, for instance, rose 97 points at one stage before falling steadily to finish 1.6 down at 7,738.6.

SA Breweries was in character, trading between a day's high of R125 and a low of R118.50 before closing R4 off at R119.50. The overall index lost 1.0 at 6,652,8 as golds

#### EUROPE

# Negative analysts hit Paris financials

PARIS as a number of analysts turned negative on the sector. while the threat of industrial action throughout the country by trade unions today was an added, and more general, disincentive

The CAC-40 index fell 26.22 or 1 per cent to 2,103.49 in high turnover of FFr7.3hn. Some brokers also observed that hopes for a further, imminent cut in domestic interest rates now seemed to bave receded. The financial sector lost 1.2 per

Eridania Beghio-Say fell FFr30 to a year's low of FFr800 as one broker downgraded the stock, visualising a potential drop in earnings due to rising prices for raw materials. Canal Plus and Havas moved

up a respective FFr8 and FFr2.20 to FFr1.230 and FFr444 on speculation about a change in cross-boldings. Following a shareholders meeting Docks de France rose FFr29 to FFr1,100 as the retailer said that it had a stable shareholder base and that it was not seeking an outside ally. Last week. Auchan. which is privately owned. announced that it had taken a 10.6 per cent stake.

FRANKFURT strove further. and the Dax set a new intraday high of 2,572.68 in early trading, but profit-taking, a slightly higher than expected M3 figure and another gentle

Financials were weak in downtrend in Wall Street's morning left the key todex down 15.33 at 2,548.79. Turnover stayed high at DM10.2bn. Lufthansa, which had out-

> performed the market by 50 per cent over the previous three years, fell sharply after Tuesday's first-quarter data: the shares closed DM9.20, or 3.75 per cent, lower at DM236.30. At Deutsche Morgan Grenfell. Mr Jürgen Pieper cut his earnings ner share esti-mates from DM14.30 to DM13 for 1996 and from DM15.80 to DM14.50 for 1997, and downgraded the stock from neutral

Meanwhile, Wella, the haircare stock, put on DM57, or 6.9 per cent, at DM885 on its promise of earnings recovery this year, following a botched reorganisation, and a collapse in

to underweight.

ZURICH was weak on domestic uncertainty over the outlook for interest rates, and foreign perceptions that the market had become too expensive. The SMI index finished 37.3 lower at 3,550.0

Financials suffered from uncertainty over the outlook for interest rates, while pharmaceuticals were pressured hy US selling. Clariant, bowever. moved up SFr6 to SFr435 after its upheat ootlook for the coming year.

Swissair. wbicb bad attracted a oumber of analysts'

FE-SE Actuaries Share Indices May 22 Open 10 30 11.00 12.00 13.00 14 60 15.00 Close Hourty changes FT-SE Europack 100 1690,37 1691,14 1689,64 1669,47 1689,84 1688,09 1687,81 1887,92 FT-SE Suroteck 200 1732.62 1731.01 1730.12 1731.80 1731.52 1729.97 1728.81 1729.13 May 16 May 20 May 17 May 21 1680.34 1727.37 1682.03 1724.84 FT-SE Eurotrack 100 FT-SE Surctrack 200 1690.84 1733.46 1740.29

recommendations, picked up SFr25 at SFr1.277 on the view that its continuing pursuit of Allders International signalled the airline's commitment to huilding its involvement in non-core hnt airline related

AMSTERDAM languished

businesses.

throughout the session hefore the AEX index closed with a marginal loss of 0.53 at 561.31. Nedlloyd, the transport and shipping group, was a feature after publishing first quarter results broadly in line with analysts' expectations, and indicating that it expected to end the year in profit. The stock rose 60 cents to Fl 37.90. There was also some interest in Unilever. up Fl 1.60 to Fl 237.10 following the group's announcement that it was to purchase a French frozen prod-

ucts company,
MILAN was pressured by May's inflation data in hesitant trade ahead of the oew prime minister's speech, after the market closed, outlining his

government's policies. The Comit index fell 3.33 to 666.20. Olivetti turned back from a

high of L990 to finish L11.6 weaker at L973.6 as the company sought to correct an impression that the chairman, Mr Carlo De Beoedetti, had said that he expected to sell the loss-making personal computer business. The company denied plans for a sale but said that it had no intention of expanding its activities through acquisitions.

Fiat was spurred L75 higher to L5,400 on further speculation about its plans to sell off noo-core husinesses.

MADRID saw another slide in turnover, from Pta38.8bo to Pta34hn, as equities attempted to consolidate their recent rally, and the geoeral index shed 2.25 to 361.71. Banks and utilities were weaker after their recent show of strength and, in retailers, Pryca lost Pta55 at Pta3,120 after a putthrough order.

LISBON edged ahead to a

second consecutive record close, with much of the day's attentioo focused oo Banco Portuguese de Investimento on signs that it would bid at the privatisation of Banco Fomento & Exterior. The BVL30 index rose 1.03 to 1,886.47 and PBI moved Es52 higher to Es2.051.

VIENNA reported feverish demand for the market heavyweight OMV, up Sch58, or 5.5 per ceot, to Sch1,113 on the resounding success of the secendary share offering from the oil and chemicals combine. The ATX index rose 6.23 to a 20month high of 1,137.51; hut dealers were cautious since, of the remaining ATX constituents, losses overwhelmed gainers with 12 down, four up and two unchanged.

WARSAW was in retreat for the second successive session and analysts said that disappointing inflation and earnings figures had contributed to negative sentiment. The Wig index fell 2 per cent to 12,413.5 as turnover dropped by 9 per cent to 121.1m zlotys.

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ISTANBUL tumbled 4.4 per cent after Ms Tansu Ciller, a partner in the minority of tition government, asked the prime minister, Mr Mesut Yilmaz, to resign. The composite index fell 2.943.07 to 63.281.59.

Written and edited by William Cochrane, Michael Morgan and

### Caracas at another record high

Caracas, which had set a record high close on Tuesday, was continuing to move ahead hy midday. The IBC index was np 24.05 at 4,204.20. On Tuesday the market saw volume of 11bn shares

valued at 1.6bn bolivars (\$3.4m). MEXICO CITY had edged slightly forward in early trade, before losing the gain by midsesslon, following a decline in local interest rates. The IPC index was 19.97 off at 3.322.74 by nooo.

Serfin, a financial group, was op 3 per cent on reports that it was negotiating to sell a stake in

its bank unit to a foreign investment bank. SAO PAULO was looking just a little firmer by midday as euphoria surrounding the privati-sation of Light and the announcement of better than expected first-quarter results for Telehras began to wane. The Bovespa index registered a gain of 48.54 at 56,068.

			Dollar terms		L	ocal currency	terms
Market	No. of stocks	May 17 1996	% Change over week	% Change on Dec '95	May 17 1996	% Change over week	% Change on Dec '98
Latin America	(247)	532,68	+1.4	+129		-	_
Argentina	(31)	942.72	+6.0	+17.7	\$78,033.78	+6.0	+17.6
Brazil	(68)	350.09	+2.2	+14.7	1,303,97	+2,4	+17.4
Chile	(43)	729,14	-2.8	-2.8	1,194.30	-1.3	-2.1
Colombia'	(15)	633.02	-2.4	+5.2	1,195.00	-2.0	+13.9
Mexico	(65)	550.08	+2.1	+21.4	1,754,62	+1.5	+16.5
Peru <sup>s</sup>	(20)	204.85	+0.2	+3.9	301,95	-0.1	+8.7
Venezuela <sup>a</sup>	(5)	502.94	+1.9	+50.4	5,471.62	+3.4	+109.6
Asia	(631)	268,89	-0.8	+15.8			
China•	(23)	57.33	-0.3	+6.0	60.28	-0.3	+6.1
South Korea*	(145)	128.18	-3.2	+1.8	131.41	-3.0	+2.3
Philippines	(35)	306.49	-0.7	+18.1	387.06	-0.8	+17.7
Tarwan, Chinas	(83)	137.47	-0.6	+21.9	140.55	-0.4	+21.8
India <sup>7</sup>	(76)	102.98	+2.2	+28.1	127.46	+1.5	+27.0
Indonesia*	(44)	127.57	+0.5	+16.3	161.55	+0.4	+18.6
Maleysia	(123)	322.79	-0.4	+19.0	296.56	-0.4	+16.7
Pakistan*	(25)	287.53	-4.9	+18.5	455.13	-4.9	+20.7
Srl Lanka®	(5)	110.07	+0.5	+5.8	131.94	+0.8	+9.1
Thailand	(72)	373.15	-2.9	-0.7	374.63	-2.8	-0.3
Euro/Mid East	(238)	140.38	-0.4	-0.9			
Greece	(47)	246.13	+0.3	+1.9	403.40	-0.2	+4.2
Hungary*	(8)	164.53	+2.2	+67.2	293.50	+2.3	+81.4
Jordan	(a)	175.43	+0.4	-5.0	261.86	+0.4	-5.0
Poland*	(22)	683.20	-1.6	+60.2	1,145.84	-1.3	+73.1
Portugal	(26)	122.85	+0.5	+6.1	132.62	+0.7	+11.6
South Africa®	(63)	233.59	+0.7	-9.5	208.36	-0.3	+7.3
Turkey≝	(54)	134.78	-6.7	+29.0	4,886.78	-6.2	+63.5
Zimbabwe <sup>ra</sup>	(5)	380.00	+3.2	+38.3	549.97	+3.2	+45.9
Composite	(1116)	304.97	+0.0	+10.6			

The investment potential of the Middle East is improving, according to a new report by Mr Angus Blair of ING Barings, writes John Pitt. Peace and political stability, says Mr Blair, are making overseas investors more optimistic, while a new regional order has been established "which even religious passion seems unlikely to tear apart". Following this sea change in sentiment, direct investment is increasing, with multinationals now lonking more likely to enter the region nnw than in the past. In addition, there has been a significant increase in the amount of private capital being repatriated. "Even if only a fraction of the capital held offshore returns to be invested directly and indirectly," says Mr Blair, "it would make a tangible difference to the economies and stock markets of the Middle East."

An increase in the number of listed companies is also due as governments and state anthorities loosen their grip, and as the private sector grows so there will be greater demand for capital to modernise. "The result is that the stock market is increasingly being viewed as one of the main vehicles to raise money," says Mr Blair, "and this is also encouraging unlisted companies to come to the market and the state to privatise its enterprises."

In the short term the general election in Israel, called for later this month, will keep sentiment nervous, while peace talks between Syria and Israel will he one of the main diplomatic focal points of the year. Regarding equities, says Mr Blair, "the reopening of the Beirut stock exchange and the readiness for the formal opening of a stock market in 1997 in the UAE will be the highlights of 1996, although the efforts in Bahrain and Oman to open op to foreigners are an indication of the region at last maturing".

Local y % chg on day

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163.82 171.43 161.18 151.10 168.81 164.57 135.41 309.53 131.94 183.47 235.92 238.27 154.41 191.00 156.65 159.94 135.97 135.97

348.22 224.45 65.90 126.48 448.25

1057.00 235.39 64.07 196.57 329.37

240.57 136.73 149.46

214.30

150.49

235.38 231,07 64.07 62.19 198.57 220.05 329.37 266.92 283.54 334.84 142.84 173.24 262.01 353.93 186.17 182.35 142.50 174.64 188.49 227.95 219.75 274.20

185,80

265,22 118,01 143,69 266,75 160,64 250,12

431.53 252.73 97.12 106.81 538.23 10864.72 231.07

138.34 127.67 142.55 1114.35 1114.35 111.42 189.22 130.39 132.23 144.82 294.05 186.54 106.81 379.35 692.57 198.79 54.10

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Gross Div. Y-eld

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AGE (France) is changing weight to 100%, effective May 28. Limit prices were unavailable for the artificing.

Pound Sterling Index

201.66 164.47 205.25 168.65 160.25 289.94 190.45 191.65

205.68 188.15 209.34 169.97 163.4S 295.73 194.26 135.48 169.06

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278.96 279.50
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232.91 228.35
177.90 174.41
231.94 227.40
274.42 289.04

250.69 245.78 208.83 204.74 302.70 296.78 170.49 187.15 186.35 192.70 267.55 262.31 191.02 197.29 290.45 284.77 187.60 183.93

208.50

FT/S&P ACTUARIES WORLD INDICES

NATIONAL AND REGIONAL MARKETS Figures in parentheses anow number of times

Brazil (28)

Japan (481).... Malaysia (107) Mexico (18)....

Horway (35)

United Kingdom (201) ...

Europe Ex. UK (514) ....... Pacific Ex. Japan (351) .... World Ex. US (1737) .....

### Nikkei cautious in advance of results flow

#### Tokyo

Investors beld back ahead of a spate of corporate results due today and tomorrow and prices lost ground oo technical selling, urites Emiko Terazono in

The Nikkei 225 average dipped 133.74 to 21,958.00 after moving between 21,839.93 and 22,195.74. Profit-taking hy domestic institutions combined with futures linked selliog, while foreigners remained oo the sidelines. Selling by individual investors also weighed

Volume picked up to 410m shares from 401m as some activity was seen in steel shares. The Topix index of all first section stocks shed 6.18 to 1,683.12 and the Nikkei 300 lost 1.19 at 311.04. Declines led rises by 701 to 337, with 186 issues unchanged. In London the ISE/Nikkei 50

index put on 0.16 at 1,471.76. Honda Motor was the individual feature of the day, ris-ing Y100 to an all-time high of Y2,590, surpassing its previous record of Y2.520 set eight years ago, on demand prompted by its strong earnings forecast for the current year.

Investors were encouraged by Tuesday's announcement of a 15 per cent rise in its consolldated net profit for the year to last March due to strong sales of its recreational vehicles, and projections of a 70 per cent growth to Y120bn for the current husiness year.

Honda's strength led other carmakers higher, Toyota Motor gaining Y40 at Y2,410 and Nissan Motor Y15 at Y908. High-technology stocks fell

on profit-taking. Hitachi declined Y20 to Y1,030 and Toshiba Y8 to Y774. Investors were discouraged by reports that world semiconductor demand would fall slightly this year. In consumer electronics, bowever, Sony rose Y10 to Y6.880 and TDK Y30 to Y6.880. Large steel and shipbuilder issues lost ground in spite of huying by foreign investors

212.18 162.65 199.28 168.11 215.81 186.05 170.25 123.97 164.64 134.14 305.17 274.11 276.11 171.73 198.39 167.70 174.38 149.59 451.19 348.81 280.08 220.31 84.53 67.22 164.66 137.75 585.09 425.77 1318.94 791.99

Currency index

172.19 150.03 162.85 311.34 162.59

5 110.67 130.41 162.59 164.64 134.14 139.40 4 200.23 235.95 238.29 305.17 274.11 274.74 5 131.53 154.99 152.05 276.11 171.73 201.42 5 132.35 155.96 159.23 199.39 167.70 180.50 6 114.47 134.89 134.89 174.38 149.59 149.59 188.89 222.57 251.87 280.08 220.31 221.72 6 56.94 67.10 97.46 84.53 67.22 76.26 6 106.73 125.77 106.73 164.69 137.75 150.17 834.49 1030.48 104.70.07 1318.94 791.99 1019.94 383.98 233.78 229.31 205.22 237.15 237.15 169.59 165.27 276.26 165.27 27

252.34 193.95 237.43

274.42 212.45 212.45

164.11 150.12 167.03 135.62 130.41

241.0 284.11 355.81 157.70 185.83 182.34 120.45 141.94 174.72 157.04 185.06 227.40 185.80 218.95 274.42

169.74 200.02 141.39 166.62 204.96 241 52 115.43 138.02 126.18 148.68 161.15 213.47 129.34 152.41 196.66 231.74 127.02 149.68

0.1 2.08 214.45 210.25 145.20 171.10 184.32 214.52 181.82 182.43

143,99 166,54

139.27 127.39 141.74

domestic institutions. Nip-	list, dropping Bt12 to Bt143
Steel slipped Y5 to Y373	turnover of Bt814m.
VICK V10 to V211	EAD CHI loct a nomenta

and NKK Y10 to Y314. In Osaka, the OSE average relinquished 46.41 to 23,392.95 point as weak holders offloaded their holdings after in volume of 28.3m shares,

#### Roundup

Selling of finance shares and banks hit BANGKOK, where the SET index slid 24.07, or 1.9 per cent, to 1,266.52 in active turnover of Bt8.1hn.

Selling was sparked off by rumours, later denied, that ING Baring Securities (Singapore) would stop sending for-eign trading orders through the leading That finance and securities company Dhana Siam. Dbana topped the active

the Pakistani rupee fell sharply against the US dollar. The KSE 100 index fell 17.59 to 1,685,97. HONG KONG consolidated, the Hang Seng index edging 5.98 lower to 11.082.79 as turn-

over slipped to HK\$4.3bn. However, Sun Hung Kai Properties gained 50 cents at HK\$76.75 on talk of a share buyback and a covered warrant issue. SINGAPORE recouped some

of its recent losses as demand reappeared for property stocks. which had been under pressure after government measures to

cool the local market. The

firmed 2.86 to 2,313.02 hut volume was a low 104.6m shares, Hotel Properties, at the centre of a controversy over discounts to government minis-

ters, rebounded 19 cents or 8.5

Straits Times Industrial index

per cent to S\$2.43. KUALA LUMPUR's composite index gave up another 5.68 to 1,140.40 in thin volume of 170m shares, Malaysian Assurance Alliance extended its rebound hy M\$1.10 to M\$13.30, recouping recent losses which followed concerns that a pro-

company's profits. SEOUL overcame early weakness in a technical rally which lifted the composite

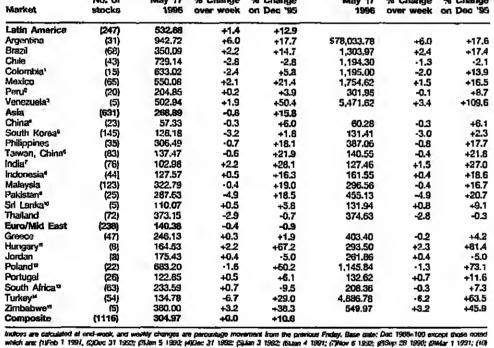
posed change in Malaysian

insurance rules would hurt the

index from a low of 910.53 to end 4.12 up at 924.00. Selective huying focused on insurance and telecom issues with good earnings prospects. LG Insurance settled at a year's high of Won99,600, up Won5,600, while Dacom went

limit up, gaining Won9,000 at Won162,000. BOMBAY picked up on expectations that the oew minority BJP government would survive a parliamentary confidence vote, set for May 27. The BSE-30 index improved 13.90 to 3,685.85.

MANILA ended at a 28-month high but trade was tepid, and turnover moderate at 3.5bn pesos as the composite index rose 29.00 to 3.155.97.



which are: (1976) 1 1991, (2)Dec 31 1992; (1)Im 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (6)Sep 28 1990; (5)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)Jan 2 1993.

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